Ontario

Ministry *of* Finance

PUBLIC ACCOUNTS *of* ONTARIO

2011–2012

FINANCIAL STATEMENTS OF GOVERNMENT ORGANIZATIONS (CONT'D)

Volume 2b

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RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES, ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS

- Ministry of Agriculture, Food and Rural Affairs
  - AgriCorp
  - Agricultural Research Institute of Ontario

- Ministry of Attorney General
  - Legal Aid Ontario
  - The Public Guardian and Trustee for the Province of Ontario

- Ministry of Economic Development and Trade
  - Ontario Capital Growth Corporation
  - Ontario Immigrant Investor Corporation

- Ministry of Education
  - Education Quality and Accountability Office
  - Ontario Educational Communications Authority (TVO)
  - Ontario French-language Educational Communications Authority

- Ministry of Energy
  - Hydro One Inc.
  - Independent Electricity System Operator
  - Ontario Energy Board
  - Ontario Power Authority
  - Ontario Power Generation Inc.

- Ministry of Environment
  - Ontario Clean Water Agency

- Ministry of Finance
  - Deposit Insurance Corporation of Ontario
  - Liquor Control Board of Ontario
  - Losses deleted from the accounts
  - Motor Vehicle Accident Claims Fund
  - Ontario Electricity Financial Corporation
  - Ontario Financing Authority
  - Ontario Lottery and Gaming Corporation
  - Ontario Racing Commission
  - Ontario Securities Commission
  - Pension Benefits Guarantee Fund
  - Provincial Judges Pension Fund
  - Revenue remissions

- Ministry of Government Services
  - Ontario Pension Board

- Ministry of Infrastructure
  - Ontario Infrastructure and Lands Corporation
  - General Real Estate Portfolio
  - Toronto Waterfront Revitalization Corporation

RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES, ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS

Ministry of Health and Long-Term Care
    Cancer Care Ontario
    eHealth Ontario
    Local Health Integration Network – Central
    Local Health Integration Network – Central East
    Local Health Integration Network – Central West
    Local Health Integration Network – Champlain
    Local Health Integration Network – Erie St. Clair
    Local Health Integration Network – Hamilton Niagara Haldimand Brant
    Local Health Integration Network – Mississauga Halton
    Local Health Integration Network – North East
    Local Health Integration Network – North Simcoe Muskoka
    Local Health Integration Network – North West
    Local Health Integration Network – South East
    Local Health Integration Network – South West
    Local Health Integration Network – Toronto Central
    Local Health Integration Network – Waterloo Wellington
    Ontario Agency for Health Protection & Promotion
    Ornge

Ministry of Labour
    Workplace Safety and Insurance Board

Ministry of Municipal Affairs and Housing
    Ontario Mortgage and Housing Corporation

Ministry of Natural Resources
    Algonquin Forestry Authority
    Forest Renewal Trust

Ministry of Northern Development and Mines
    Northern Ontario Heritage Fund Corporation
    Ontario Northland Transportation Commission

Ministry of Tourism and Culture
    Metropolitan Toronto Convention Centre Corporation
    Niagara Parks Commission
    Ontario Council for the Arts
    Ontario Place Corporation
    Ontario Science Centre
    Ontario Tourism Marketing Partnership Corporation
    Ontario Trillium Foundation
    Ottawa Convention Centre
    Royal Ontario Museum

Ministry of Transportation
    Metrolinx

A GUIDE TO PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2011-2012 Public Accounts of the Province of Ontario comprise the **Annual Report and Consolidated Financial Statements** and three volumes:

Volume 1 contains ministry statements and detailed schedules of debt and other items. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses include all expenses that are subject to appropriation approved by the Legislative Assembly, but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.

Volume 2 contains the financial statements of Government Organizations and Business Enterprises that are part of the government's reporting entity and other miscellaneous financial statements.

Volume 3 contains the details of payments made by ministries to vendors and transfer payment recipients that are not deemed to be prohibited by the *Freedom of Information and Protection of Privacy Act.*

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2011 to March 31, 2012. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS - CONT'D

metro toronto
convention centre

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Management Report

The accompanying financial statements are the responsibility of the management of Metropolitan Toronto Convention Centre Corporation. The financial statements have been prepared by management in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11. The statements include certain amount based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Board of Director, whose report follows.

Dhanjee

Imtiaz Dhanjee
Vice President Finance
June 15, 2012

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Canada

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism, Culture and Sport

We have audited the accompanying financial statements of Metropolitan Toronto Convention Centre Corporation, which comprise the statements of financial position as at March 31, 2012, March 31, 2011, and April 1, 2010, the statements of operations and accumulated surplus, change in net debt and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Opinion

In our opinion, the financial statements of Metropolitan Toronto Convention Centre Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010 and for the years ended March 31, 2012 and March 31, 2011, are prepared in all material respects in accordance with the accounting requirements of the Financial Administration Act including Ontario Regulation 395/11.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) to the financial statements, which discloses that the financial statements are prepared in accordance with the Financial Administration Act including Ontario Regulation 395/11 of the Financial Administration Act.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 15, 2012
Toronto, Canada

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statements of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010

	2012	2011	2010
Financial assets:			
Cash	$ 9,306,575	$ 9,591,009	$ 8,603,419
Customer deposits	9,831,309	8,722,489	7,110,006
Accounts receivable	3,977,927	3,470,421	2,806,339
	23,115,811	21,783,919	18,519,764
Liabilities:			
Accounts payable and accrued liabilities	8,162,703	6,422,338	4,734,836
Deferred revenue	9,831,309	8,722,489	7,110,006
Employee future benefits (note 6)	2,919,600	3,462,500	3,520,800
Distribution payable	–	–	2,700,000
Deferred contribution related to tangible capital assets (note 2b(i))	48,662,441	49,655,552	50,980,244
	69,576,053	68,262,879	69,045,886
Net debt	(46,460,242)	(46,478,960)	(50,526,122)
Non-financial assets:			
Tangible capital assets (note 3)	179,700,461	174,804,819	176,947,145
Inventories	512,785	444,444	384,053
Prepaids	432,036	351,034	371,756
	180,645,282	175,600,297	177,702,954
Commitments (note 5)			
Subsequent event (note 7)			
Accumulated surplus (note 4)	$ 134,185,040	$ 129,121,337	$ 127,176,832

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director

_______________ Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statements of Operations and Accumulated Surplus

Years ended March 31, 2012 and 2011

	March 31, 2012 Budget (Unaudited - note 1)	March 31, 2012 Actual	March 31, 2011 Actual
Revenue:			
Food and beverage	$ 20,430,284	$ 24,970,166	$ 22,997,060
Facility rental	14,400,000	15,357,759	14,295,816
Parking	8,100,000	8,733,738	7,999,616
Commissions	5,044,228	6,187,448	5,032,395
Communications	1,640,190	2,284,243	1,840,497
Capital contribution	–	993,111	1,324,692
Other	2,726,260	3,330,082	3,718,150
Total gross revenue	52,340,962	61,856,547	57,208,226
Expenses:			
Wages and benefits	22,388,628	24,248,686	22,636,560
Other operating	7,734,063	9,755,189	8,661,063
Sales and marketing	1,753,726	1,807,251	1,804,746
Engineering	3,223,558	3,281,561	3,145,772
Energy	3,326,513	3,349,389	3,102,921
General and administrative	3,632,179	3,774,216	4,718,495
Amortization	5,876,153	6,576,552	6,694,164
Total expenses	47,934,820	52,792,844	50,763,721
Annual surplus	4,406,142	9,063,703	6,444,505
Accumulated surplus, beginning of year	129,121,337	129,121,337	127,176,832
Distribution payment (note 4)	(2,500,000)	(4,000,000)	(4,500,000)
Accumulated surplus, end of year	$ 131,027,479	$ 134,185,040	$ 129,121,337

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statements of Changes in Net Debt

Years ended March 31, 2012 and 2011

	March 31, 2012 Budget (Unaudited - note 1)	March 31, 2012 Actual	March 31, 2011 Actual
Annual surplus	$ 4,406,142	$ 9,063,703	$ 6,444,505
Acquisition of tangible capital assets	(11,500,000)	(11,472,194)	(4,551,838)
Amortization of tangible capital assets	5,876,153	6,576,552	6,694,164
	(1,217,705)	4,168,061	8,586,831
Acquisition of inventories*	–	(5,735,941)	(5,290,726)
Acquisition of prepaid expenses*	–	(1,148,737)	(910,979)
Consumption of inventories*	–	5,667,600	5,230,335
Use of prepaid expenses*	–	1,067,735	931,701
Distribution payment	(2,500,000)	(4,000,000)	(4,500,000)
Change in net debt	(3,717,705)	18,718	4,047,162
Net debt, beginning of year	(46,478,960)	(46,478,960)	(50,526,122)
Net debt, end of year	$ (50,196,665)	$ (46,460,242)	$ (46,478,960)

*The above items have not been historically projected during the budgetary process.

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statements of Cash Flows

Years ended March 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 9,063,703	$ 6,444,505
Items not involving cash:		
Amortization	6,576,552	6,694,164
Employee future benefits expense	(542,900)	(58,300)
	15,097,355	13,080,369
Change in non-cash assets and liabilities:		
Accounts receivable	(507,506)	(664,082)
Inventories	(68,341)	(60,391)
Prepaid expenses	(81,002)	20,722
Accounts payable and accrued liabilities	1,740,365	1,687,502
Deferred contribution related to tangible capital assets (note 2(b)(i))	(993,111)	(1,324,692)
	15,187,760	12,739,428
Financing activities:		
Distribution payment to Ontario Financing Authority	(4,000,000)	(7,200,000)
Capital activities:		
Additions to tangible capital assets	(11,472,194)	(4,551,838)
Increase (decrease) in cash	(284,434)	987,590
Cash, beginning of year	9,591,009	8,603,419
Cash, end of year	$ 9,306,575	$ 9,591,009

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Years ended March 31, 2012 and 2011

Metropolitan Toronto Convention Centre Corporation (the "Corporation") is an other government organization of the Ministry of Tourism, Culture & Sport of the Province of Ontario and incorporated as a corporation without share capital under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988. The Corporation is a Crown Agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. Significant accounting policies:

(a) Revenue recognition:

Revenue from food and beverage sales, facility rentals and the use of the Corporation's parking facilities is recognized when services are provided. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(d) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 30 years

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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1. Significant accounting policies (continued):

Tangible capital assets are reviewed for impairment whenever conditions indicate that a tangible capital asset no longer contributes to the Corporation's ability to provide services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value.

(e) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing.

(f) Use of estimates:

The preparation of financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful life of tangible capital assets, valuation allowances for accounts receivable, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

(g) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from the 2011 - 2014 Summary Business Plan for 2011 - 2012. The budget is approved annually by the Board of Directors of the Corporation and is reflected in the statements of operations and accumulated surplus and the statements of changes in net debt. Consumption and use of inventory and prepaid expenses are not historically budgeted in detail and, therefore, have not been included in the budget reported in these financial statements.

Budget figures have not been audited, and are presented for information purposes.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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2. Basis of presentation and adoption of accounting standards:

(a) Basis of presentation:

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles used by the Province, being the Canadian public sector accounting standards ("PS") as published by the Public Sector Accounting Board ("PSAB") and that changes may be required to these standards as a result of regulation. These financial statements have been prepared in accordance with the financial reporting provisions of the Financial Administration Act and the accounting standards requirements of Ontario Regulation 395/11, Government Transfers, of the Financial Administration Act.

Ontario Regulation 395/11 requires that government transfers used for the acquisition of depreciable capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets. This accounting requirement is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished.

These financial statements have been prepared in accordance with the financial framework described above ("framework").

(b) Adoption of accounting standards:

An explanation of how the transition to the framework has affected the reported financial position, financial performance and cash flows of the Corporation is provided below. This note includes reconciliations of accumulated surplus and annual surplus for comparative periods reported under previous Canadian generally accepted accounting principles to those reported under the framework. The Corporation's date of transition to the framework was April 1, 2010.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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2. Basis of presentation and adoption of accounting standards (continued):

Key adjustments resulting from the adoption of these accounting standards are as follows:

(i) Deferred contributions related to tangible capital assets:

Funding received from the Province used for the acquisition of depreciable capital assets is recorded as deferred contributions. This is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets, of which the annual change in the account is recorded in the statement of cash flows of $993,111 (2011 - $1,324,692). This accounting requirement is not consistent with the requirements of Canadian public sector accounting standards which require that government transfers be recognized as revenue when approved by the transferor and eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized as revenue over the period that the liability is extinguished as describe in note 2(a).

The Corporation has applied Ontario Regulation 395/11 retroactively and prior periods have been adjusted below.

The Corporation received Government transfers of $10,914,604 in 1984 and $75,000,000 in 1996. The net amount of the Government transfer as at March 31, 2011 of $49,655.552 (April 1, 2010 - $50,980,244) was reclassified to deferred contribution related to tangible capital assets in accordance with Ontario regulation 395/11.

(ii) Employee future benefits:

Employee future benefits - as permitted under PS 2125, the Corporation has elected to recognize all cumulative actuarial gains and losses at the date of transition directly into accumulated surplus. In addition, as a result of the adoption of PS 3250, Retirement Benefits, and PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits, recognizes differences in discount rates and amortization of actuarial gains and losses.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

2. Basis of presentation and adoption of accounting standards (continued):

Summary of adjustments:

March 31, 2011	Previously reported	Adjustments	Revised
Statement of financial position			
Financial liabilities:			
Employee future benefits	$ 1,183,400	$ (4,645,900)	$ (3,462,500)
Deferred contribution related to tangible capital assets	–	(49,655,552)	(49,655,552)
Non-financial assets:			
Tangible capital assets	125,149,267	49,655,552	174,804,819
Accumulated surplus			
Accumulated surplus	133,767,237	(4,645,900)	129,121,337
Statement of operations			
Wages and benefits (employee future benefits)	1,741,000	(40,600)	1,700,400
Amortization	5,369,472	1,324,692	6,694,164
Capital contribution	–	(1,324,692)	(1,324,692)

April 1, 2010	Previously reported	Adjustments	Revised
Statement of financial position			
Financial liabilities:			
Employee future benefits	$ 1,165,700	$ (4,686,500)	$ (3,520,800)
Deferred contribution related to tangible capital assets	–	(50,980,244)	(50,980,244)
Non-financial assets:			
Tangible capital assets	125,966,901	50,980,244	176,947,145
Accumulated surplus			
Accumulated surplus	131,863,332	(4,686,500)	127,176,832

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

3. Tangible capital assets:

March 31, 2012	Cost	Accumulated amortization	Net book value
Building	$ 221,911,574	$ 63,022,232	$ 158,889,342
Furniture, fixtures and computer equipment	28,505,801	21,318,603	7,187,198
Leasehold improvements	49,099,070	35,475,149	13,623,921
	$ 299,516,445	$ 119,815,984	$ 179,700,461

March 31, 2011	Cost	Accumulated amortization	Net book value
Building	$ 219,696,755	$ 59,011,124	$ 160,685,631
Furniture, fixtures and computer equipment	26,095,150	19,788,363	6,306,787
Leasehold improvements	42,252,346	34,439,945	7,812,401
	$ 288,044,251	$ 113,239,432	$ 174,804,819

April 1, 2010	Cost	Accumulated amortization	Net book value
Building	$ 218,705,043	$ 56,576,400	$ 162,128,643
Furniture, fixtures and computer equipment	24,662,169	18,447,994	6,214,175
Leasehold improvements	40,125,201	31,520,874	8,604,327
	$ 283,492,413	$ 106,545,268	$ 176,947,145

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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4. Accumulated surplus:

The total accumulated surplus includes the contributed surplus, accumulated distribution payments and the annual surplus as follows:

	Contributed surplus	Accumulated distribution payment	Accumulated annual surplus	Total accumulated surplus
Balance, April 1, 2010	$ 142,850,705	$ (39,500,000)	$ 23,826,127	$ 127,176,832
Distribution payment	–	(4,500,000)	–	(4,500,000)
Annual surplus	–	–	6,444,505	6,444,505
Balance, March 31, 2011	142,850,705	(44,000,000)	30,270,632	129,121,337
Distribution payment	–	(4,000,000)	–	(4,000,000)
Annual surplus	–	–	9,063,703	9,063,703
Balance, March 31, 2012	$ 142,850,705	$ (48,000,000)	$ 39,334,335	$ 134,185,040

The contributed surplus balance was created as a result of the Ontario Financing Authority (the "OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of $2,500,000 less any amount of payments in lieu of property taxes that it makes within that year and annually, any such further amounts agreed to in writing by the Corporation and the OFA.

The Board of Directors has approved a distribution payment of $4,000,000 for 2012 (2011 - $4,500,000) to the OFA. Since the establishment of the distribution policy in fiscal year ended March 31, 2004, the total distribution amount is $48,000,000 (2011 - $44,000,000).

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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5. Commitments:

The Corporation is committed to minimum annual lease payments (excluding common area charges) under various operating leases for facility rental, parking, office space, computer equipment and equipment, as follows:

2013	$ 1,068,298
2014	537,546
2015	216,148
2016	59,171
2017	60,947
Thereafter	1,922,388
	$ 3,864,498

The Corporation's minimum annual distribution of $2,500,000 required to be paid to the OFA, as disclosed in note 4, is excluded from the commitments above.

6. Employee future benefits:

The Corporation maintains a registered pension plan that provides a defined benefit component and a defined contribution component. Under the defined benefit component of the pension plan, contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The defined benefit component of the plan provides pension benefits based on the length of service and best average pensionable earnings. In addition, certain retired employees also receive health and other post-retirement benefits paid for by the Corporation.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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6. **Employee future benefits (continued):**

The Corporation accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected accrued benefit cost method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the defined benefit plan for funding purposes (and the next required valuations) and the actuarial valuation of the other post-employment plans (and the next required valuations) are as follows:

(a) Defined benefit registered pension plan - December 31, 2010 (December 31, 2013);

(b) Other post-employment plans - March 31, 2011 (March 31, 2014); and

(c) Retirement compensation agreement - March 31, 2012 (March 31, 2013).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the expected average remaining service period of active employees ("EARSL").

The Corporation fully adopted PSAB effective April 1, 2011 and transitioned from The Canadian Institute of Chartered Accountants' Handbook Section 3461, Employee Future Benefits, to PS 3255, Post-employment Benefits, Compensated Absences and Termination Benefits. In accordance with PS, the Corporation adopted the prospective method for the recognition of unamortized actuarial losses on the date of transition and the amortization of future actuarial gains and losses over the plan membership's expected average remaining service lifetime on a straight-line basis. As required on transition, the following table shows the current year and the prior year as the comparator year reported in accordance with PSAB.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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6. Employee future benefits (continued):

As shown in the following table, the Corporation has a deficit of $3,955,000 (2011 - deficit of $3,190,400) for its employee future benefit plans. The funding deficit is offset by unamortized net actuarial loss of $1,035,400 (2011 - gain of $272,100) and results in an employee future benefit liability of $2,919,600 (2011 - liability of $3,462,500) recorded in the financial statements.

Currently, there are 150 employees enrolled in the defined benefit plan and 170 employees enrolled in the defined contribution plan. During 2005, the Corporation had closed the defined benefit component of the plan. All new eligible plan members must join the defined contribution component of the plan. The defined contribution portion of the plan is fully funded as of March 31, 2012.

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2012		2011	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Defined benefit plan expense:				
Current year benefit cost	$ 1,158,700	$ 66,100	$ 1,151,700	$ 64,600
Amortization of actuarial loss (gain)	(20,500)	3,700	–	–
Employee contributions	(212,200)	–	(209,400)	–
Defined benefit plan expense	926,000	69,800	942,300	64,600
Defined benefit plan interest expense:				
Interest cost on accrued benefit obligation	1,233,700	95,800	1,171,300	91,300
Expected return on plan assets	(1,094,000)	(21,800)	(989,300)	(20,700)
Defined benefit plan interest expense	139,700	74,000	182,000	70,600
Total defined benefit plan expense	1,065,700	143,800	1,124,300	135,200
Defined contribution plan cost	450,000	–	440,900	–
Total benefit plan expense	$ 1,515,700	$ 143,800	$ 1,565,200	$ 135,200

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

6. Employee future benefits (continued):

	2012		2011	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Expected closing balance of accrued benefit obligation:				
Accrued benefit obligation, beginning of year	$ 20,686,900	$ 1,785,400	$ 18,526,100	$ 1,603,800
Current year benefit cost	1,158,700	66,100	1,151,700	64,600
Interest cost	1,233,700	95,800	1,171,300	91,300
Benefit payments	(778,600)	(80,600)	(313,800)	(75,900)
Expected closing balance of accrued benefit obligation, end of year	$ 22,300,700	$ 1,866,700	$ 20,535,300	$ 1,683,800

	2012		2011	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Expected plan assets:				
Plan assets, beginning of year	$ 18,498,000	$ 783,900	$ 15,891,300	$ 717,500
Employer contributions	1,721,900	26,300	1,296,900	21,200
Employee contributions	216,400	–	209,400	–
Expected earnings	1,094,000	21,800	989,300	20,700
Benefit payments	(778,600)	(80,600)	(313,800)	(75,900)
Expected plan assets, end of year	$ 20,751,700	$ 751,400	$ 18,073,100	$ 683,500
Amortization of gains/losses on accrued benefit obligation:				
Expected closing balance of accrued benefit obligation	$ 22,300,700	$ 1,866,700	$ 20,535,300	$ 1,683,800
Actual accrued benefit obligation	22,300,700	2,014,900	20,686,900	1,785,400
Experience gain (loss)	$ –	$ (148,200)	$ (151,600)	$ (101,600)
Annual amortization over EARSL	$ –	$ (13,300)	$ (11,400)	$ (10,100)

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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6. Employee future benefits (continued):

	2012		2011	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Amortization of gains/losses on pension assets:				
Expected closing balance of plan assets	$ 20,751,700	$ 751,400	$ 18,073,100	$ 683,500
Actual plan assets	19,650,500	710,100	18,498,000	783,900
Experience gain (loss)	$ (1,101,200)	$ (41,300)	$ 424,900	$ 100,400
Annual amortization over EARSL	$ (82,800)	$ (2,600)	$ 31,900	$ 6,400
Actual pension liability recorded in the statements of financial position:				
Actual accrued benefit obligation	$ 22,300,700	$ 2,014,900	$ 20,686,900	$ 1,785,400
Actual plan assets	(19,650,500)	(710,100)	(18,498,000)	(783,900)
Unamortized actuarial gains and losses	(848,400)	(187,000)	273,300	(1,200)
Actual pension liability recorded	$ 1,801,800	$ 1,117,800	$ 2,462,200	$ 1,000,300

The total accrued pension benefit liability of $2,919,600 (2011 - $3,462,500) is included in the Corporation's statements of financial position.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

6. Employee future benefits (continued):

The significant actuarial assumptions used in accounting for the plans are as follows:

	2012		2011	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Discount rate	5.75%	3.60% - 5.75%	5.75%	4.70% - 6.00%
Expected return on plan assets	5.75%	2.88%	6.00%	3.00%
Rate of compensation increase	3.75%	n/a	3.25%	n/a
Indexation rate	1.75%	1.75%	2.00%	2.00%
EARSL	13.3	10.3 - 15.6	13.3	10.3 - 15.6

Assumed health care cost trend rates at March 31:

	2012	2011
Initial health care cost trend rate	6.8%	7.0%
Cost trend rate declines to	3.0%	5.0%
Year that the rate reaches the rate it is assumed to remain at	2031	2031

7. Subsequent event:

On May 16, 2012, the Corporation's Board of Directors approved an additional distribution payment of $1,000,000 to the OFA.

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT
October 31, 2011

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in Note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The Financial statements have been audited by Grant Thornton LLP, the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of management to discuss their audit and findings as to the integrity of the Commission's financial reporting.

Fay Booker

Fay Booker
General Manager

January 26, 2012

M. Neubauer

Margaret Neubauer, Director
Corporate Services &
Governance Support
January 26, 2012

Grant Thornton

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Independent auditor's report

To The Niagara Parks Commission,
the Minister of Tourism, Culture and Sport and the Auditor General

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at October 31, 2011 and October 31, 2010, and the statements of operations, changes in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting described in Note 2 to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

GrantThornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Niagara Parks Commission as at October 31, 2011 and October 31, 2010, and the results of its operations, changes in net debt and cash flows for the years then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis of accounting

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that basis of accounting. The financial statements are prepared to assist The Niagara Parks Commission to comply with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and Regulation 395/11 to the Ontario Financial Administration Act. As a result, the financial statements may not be suitable for another purpose.

Other matter

Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Grant Thornton LLP

Port Colborne, Canada
February 15, 2012

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission
Statement of Financial Position

As at October 31 (in thousands of dollars)	2011	2010
Financial assets		
Cash and cash equivalents	**$ 3,178**	$ 6,502
Accounts receivable	**3,805**	3,208
Inventories – saleable	**4,177**	5,135
	11,160	14,845
Liabilities		
Accounts payable	**6,015**	6,088
Accrued payroll	**2,383**	2,070
Deferred revenue (Note 4)	**1,571**	2,186
Deferred capital funding (Note 5)	**8,902**	1,349
Long term financing (Note 6)	**34,956**	36,346
Post-employment benefits (Note 7)	**3,869**	3,759
Power Plant stabilization obligation (Note 8)	**26,859**	26,727
	84,555	78,525
Net debt	**(73,395)**	(63,680)
Non-financial assets		
Tangible capital assets (Note 9)	**153,578**	150,370
Inventories – other	**1,595**	1,426
Prepaid expenses	**155**	487
	155,328	152,283
Accumulated surplus (Note 10)	**$ 81,933**	$ 88,603

Commitments and contingencies (Notes 12 and 13)

On behalf of the Commission

Janice Thomson

Chair

Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Operations

For the Year Ended October 31, 2011
(in thousands of dollars)

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
Revenues			
Revenue producing operations	$ 65,857	**$ 60,341**	$ 62,546
Land rent	6,410	**6,461**	6,297
Commission, rentals and fees	2,675	**2,565**	2,655
Premium on United States funds – net	275	**(132)**	314
Gain on disposal of tangible capital assets		**11**	2
Sundry revenue	100	**167**	226
	75,317	**69,413**	72,040
Expenses (Page 23)			
Revenue producing operations			
Cost of goods sold	10,752	**9,917**	10,691
Operating	31,315	**29,864**	30,207
Maintenance	14,052	**13,549**	12,968
Administrative and police	9,236	**9,434**	8,753
Marketing and promotion	3,813	**3,349**	3,588
	69,168	**66,113**	66,207
Net surplus for the year before undernoted items	6,149	**3,300**	5,833
Other items			
Interest expense – net (Note 14)	1,831	**1,864**	1,878
Amortization of tangible capital assets (Note 15)	7,240	**7,283**	7,501
Amortization of deferred capital funding (Note 5)		**(37)**	
Non-recurring	398	**1,264**	195
	9,469	**10,374**	9,574
Net deficit from operations	(3,320)	**(7,074)**	(3,741)
Net increase in Power Plant stabilization obligation (Note 8)		**(132)**	(5,484)
Other capital funding		**536**	99
Annual deficit	(3,320)	**(6,670)**	(9,126)
Accumulated surplus			
Beginning of year	88,603	**88,603**	97,729
End of year	$ 85,283	**$ 81,933**	$ 88,603

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Changes in Net Debt

For the Year Ended October 31 (in thousands of dollars)	**2011**	2010
Annual deficit	**$ (6,670)**	$ (9,126)
Amortization of tangible capital assets	**7,283**	7,501
Acquisition of tangible capital assets (Note 17)	**(10,491)**	(3,462)
Proceeds from the sale of tangible capital assets	**11**	2
Gain on sale of tangible capital assets - net	**(11)**	(2)
	(9,878)	(5,087)
Use (acquisition) of prepaid expenses	**332**	(101)
Use (acquisition) of other inventories	**(169)**	134
Increase in net debt	**(9,715)**	(5,054)
Net debt		
Beginning of year	**(63,680)**	(58,626)
End of year	**$ (73,395)**	$ (63,680)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Cash Flows

For the Year Ended October 31 (in thousands of dollars)	**2011**	2010
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual deficit	**$ (6,670)**	$ (9,126)
Charges against income not requiring an outlay of funds		
Post-employment benefits	**372**	343
Amortization of tangible capital assets	**7,283**	7,501
Amortization of deferred capital funding	**(37)**	
Gain on disposal of tangible capital assets – net	**(11)**	(2)
Increase in Power Plant stabilization obligation – net	**132**	5,484
	1,069	4,200
Net change in non-cash working capital balances related to operations (Note 16)	**149**	(1,953)
	1,218	2,247
Capital activities		
Acquisition of tangible capital assets (Note 17)	**(10,491)**	(3,462)
Proceeds from the sale of tangible capital assets	**11**	2
	(10,480)	(3,460)
Financing activities		
Net increase (decrease) in long term financing	**(1,390)**	4,389
Cash outlay related to post-employment benefits	**(262)**	(184)
Receipt of capital funding	**7,590**	1,349
	5,938	5,554
Net (decrease) increase in cash and cash equivalents	**(3,324)**	4,341
Cash and cash equivalents		
Beginning of year	**6,502**	2,161
End of year	**$ 3,178**	$ 6,502

See accompanying notes to the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2011

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and the Regulation 395/11 to the Ontario Financial Administration Act. The significant accounting principles used in the preparation of these financial statements are in line with the accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and Regulation 395/11 to the Ontario Financial Administration Act.

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than one year.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements

For the Year Ended October 31, 2011

2. Significant accounting policies (continued)

Tangible capital assets (continued)

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Classification	Useful Life
Buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes are recorded as a liability, referred to as deferred capital funding and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2011

2. Significant accounting policies (continued)

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the statement of financial position date. Gains and losses on translation are reflected in the annual surplus/deficit.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Two areas in which estimates are used are with regards to post-employment benefits and the Power Plan stabilization obligation.

3. Supplementary information

For the 2011 fiscal year the Commission adopted the basis of accounting described in Note 2 and the following restatements were made to the 2010 comparative figures:

	(in thousands of dollars)
Accumulated surplus, beginning of year	
As previously reported	$ 97,867
Removal of artwork from tangible capital assets	(82)
Removal of non-tangible asset	(56)
As adjusted	$ 97,729
Annual deficit, year ended October 31, 2010	
As previously reported	$ (9,232)
Reporting of other capital funding as revenue	99
Reduction of amortization of non-tangible capital asset	7
As adjusted	$ (9,126)

Opening accumulated surplus for the year ended October 31, 2010 was adjusted for the removal of artwork from tangible capital assets and non-tangible asset and the annual deficit originally reported for the year ended October 31, 2010 was adjusted to report other capital funding as revenue and to reduce the amortization of the non-tangible capital asset.

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2011

4. Deferred revenue

	2011	2010
	(in thousands of dollars)	
Defunct power stations (Note 8)	$ 226	$ 507
Sale proceeds related to Fort Erie land transaction	669	1,205
Other	676	474
	$ 1,571	$ 2,186

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred revenue on the statement of financial position. To date approximately $ 636,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 has been spent on the Jarvis Street property maintenance. As of October 31, 2011, approximately $ 669,000 remains for use in 2012 and beyond.

5. Deferred capital funding

The Commission secured stimulus grant funding to renovate its heritage sites in the amount of $ 8,939,056 and as of October 31, 2011 all funds were utilized and the projects were complete.

	2011	2010
	(in thousands of dollars)	
Deferred capital funding		
Beginning of year	$ 1,349	$ -
Received during year	7,590	1,349
Amortization	(37)	
End of year	$ 8,902	$ 1,349

The Niagara Parks Commission
Notes to the Financial Statements

For the Year Ended October 31, 2011

6. Long term financing	**2011**	2010
	(in thousands of dollars)	
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	**$ 28,561**	$ 29,700
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	**6,271**	6,500
The Commission had an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 1,076 to August, 2011, secured by equipment with a net book value of $ 28,295, repaid during year		9
The Commission had an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 659 to May, 2011, secured by equipment with a net book value of $ 11,856, repaid during year		5
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 3)	**124**	132
	$ 34,956	$ 36,346

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2012	$ 1,455
2013	1,529
2014	1,606
2015	1,687
2016	1,772

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2011

7. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full time service provided to the Commission to a maximum of twenty-six weeks. The accrued benefit liability as at October 31, 2011 is $ 3,869,482 (2010 - $ 3,759,218).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the year ending October 31, 2010.

As a result of an actuarial valuation conducted in 2010 for the year ending October 31, 2010, it was determined that an actuarial gain of $ 140,884 existed. The actual obligation as at October 31, 2011 is $ 3,728,598 (2010 - $ 3,618,334). Since the actuarial gain is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

Defined benefit plan information	2011	2010
	(in thousands of dollars)	
Employee benefit plan assets	$ Nil	$ Nil
Employee benefit plan liabilities	3,869	3,759
Employee benefit plan deficit	$ 3,869	$ 3,759
Benefit obligation recognized on the statement of financial position		
Benefit obligation, beginning of year	$ 3,759	$ 3,600
Expense for the year	372	343
Benefits paid during the year	(262)	(184)
Benefit obligation, end of year	$ 3,869	$ 3,759
The net benefit expense is as follows:		
Current service cost	$ 193	$ 175
Interest cost	179	168
	$ 372	$ 343

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

> Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 5%.
>
> Salary levels – future salary and wage levels were assumed to increase at 3% per annum.

These assumptions will be reviewed with the next actuarial valuation in fiscal 2013.

The Niagara Parks Commission
Notes to the Financial Statements

For the Year Ended October 31, 2011

7. Post-employment benefits (continued)

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of $ 1,784,726 (2010 - $ 1,776,084), of which $ 892,363 (2010 - $ 888,042) represents the employees' portion, are included in the administrative and police expense on the statement of operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the statement of operations.

8. Power Plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these Power Generating Stations will require a significant infusion of funds that is beyond its capacity to meet. As at October 31, 2011, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2011

8. Power Plant stabilization obligation (continued)

An asset retirement obligation of $ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the report received from the Ventin Group. The report also identified contingency costs of approximately $ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. It is estimated that the work may commence in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 22,127,131 as at October 31, 2011. This is an increase of $ 446,406 from 2010 and has been recorded in the statement of operations.

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report known as the Hatch group study identified an additional $ 6,305,000 for external/infrastructure work that is required. The second study was completed by the Quartek group which identified an additional $ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of $ 7,565,000. As previously mentioned it is estimated this work will not commence until 2016 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2% respectively. This results in net present value of $ 6,347,599 as at October 31, 2011 for this portion of the liability. This is an increase of $ 188,410 from 2010 and has also been recorded in the statement of operations.

	2011	2010
	(in thousands of dollars)	
Power Plant stabilization obligation		
Beginning of year	**$ 26,727**	$ 21,243
Current year increase in present value of original obligation	**635**	437
Present value of additional obligation related to additional studies		6,159
Actual work performed during year	**(503)**	(1,112)
Net increase in Power Plant stabilization obligation	**132**	5,484
End of year	**$ 26,859**	$ 26,727

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately $ 226,000 of this funding remains for use in 2012 and beyond.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the statement of operations and are included in the maintenance expense.

The Niagara Parks Commission
Notes to the Financial Statements

For the Year Ended October 31, 2011

9. Tangible capital assets

			2011	2010
			(in thousands of dollars)	
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land	$ 14,359		**$ 14,359**	$ 14,359
Land improvements	17,135		**17,135**	17,135
Buildings, roadways and structures	202,191	$ 87,349	**114,842**	109,358
Equipment and furnishings	41,523	35,944	**5,579**	6,355
Vehicles	9,169	8,071	**1,098**	1,194
	284,377	131,364	**153,013**	148,401
Capital works in progress	565		**565**	1,969
	$ 284,942	$ 131,364	**$ 153,578**	$ 150,370
Equipment under capital lease included above	$ 69	$ 28	**$ 41**	$ 48

10. Accumulated surplus

	2011	2010
	(in thousands of dollars)	
Operating surplus	**$ 2,941**	$ 6,414
Investment in tangible capital assets	**144,676**	149,021
Unfunded		
Long term debt	**(34,956)**	(36,346)
Post-employment benefits	**(3,869)**	(3,759)
Power Plant stabilization obligation	**(26,859)**	(26,727)
	(65,684)	(66,832)
Accumulated surplus	**$ 81,933**	$ 88,603

Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund.

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2011

11. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000, provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on October 31, 2014. As at October 31, 2011, $ Nil has been drawn upon for all credit facilities (2010 – $ Nil).

12. Commitments

The Commission has committed to approximately $ 600,000 in capital works projects in the next year.

The Commission leases vehicles, equipment and premises under operating leases expiring in 2012. The total obligation under operating leases amounts to approximately $ 220,000.

13. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

14. Interest expense – net	Budget 2011 *(Unaudited)*	**Actual 2011**	Actual 2010
		(in thousands of dollars)	
Interest revenue	$ (38)	**$ (25)**	$ (44)
Loan interest expense	1,869	**1,889**	1,922
	$ 1,831	**$ 1,864**	$ 1,878

15. Amortization of tangible capital assets	Budget 2011 *(Unaudited)*	**Actual 2011**	Actual 2010
		(in thousands of dollars)	
Amortization of income producing assets	$ 3,841	**$ 4,031**	$ 4,244
Amortization of non-income producing assets	3,399	**3,252**	3,257
	$ 7,240	**$ 7,283**	$ 7,501

The Niagara Parks Commission
Notes to the Financial Statements

For the Year Ended October 31, 2011

16. Statement of cash flows

	2011	2010
	(in thousands of dollars)	
Changes in working capital components include		
Accounts receivable	**$ (597)**	$ (1,172)
Inventories	**789**	128
Accounts payable and accrued payroll	**240**	477
Deferred revenue	**(615)**	(1,285)
Prepaid expenses	**332**	(101)
	$ 149	$ (1,953)
Interest received	**$ 25**	$ 44
Interest paid	**$ 1,885**	$ 1,721

17. Acquisition of tangible capital assets

During the year, tangible capital assets were acquired at an aggregate cost of $ 10,491,000 (2010 - $ 3,462,000) of which $ Nil (2010 - $ Nil) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of $ 10,491,000 (2010 - $ 3,462,000) were made to purchase tangible capital assets. Stimulus grant funding of $ 7,590,287 and $ 535,921 from the Fort Erie land proceeds totalling $ 8,126,208 were used to fund the tangible capital asset additions related to the renovation of the Heritage Fort Erie, McFarland House and Laura Secord Homestead sites.

18. Financial instruments and risk management

Fair value

Fair value information with respect to long term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 6 to the financial statements.

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of $ 248,964 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ .987 Canadian. The Commission realizes approximately 14.4% (2010 – 13.26%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

The Niagara Parks Commission
Notes to the Financial Statements

For the Year Ended October 31, 2011

18. Financial instruments and risk management (continued)

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

19. Comparative figures

Certain 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2011.

The Niagara Parks Commission
Schedule of Tangible Capital Assets

For the Year Ended October 31, 2011
(in thousands of dollars)

	Land	Land Improvements	Buildings, Roadways and Structures	Equipment and Furnishings	Vehicles	Capital Works in Progress	**2011**	2010
Cost								
Beginning of year	$ 14,359	$ 17,135	$ 191,385	$ 40,720	$ 9,329	$ 1,969	**$ 274,897**	$ 271,576
Add additions				843	246	9,402	**10,491**	3,462
Less disposals				(40)	(406)		**(446)**	(141)
Transfers of capital works in progress			10,806			(10,806)		
End of year	14,359	17,135	202,191	41,523	9,169	565	**284,942**	274,897
Accumulated amortization								
Beginning of year			82,027	34,365	8,135		**124,527**	117,167
Add amortization			5,322	1,619	342		**7,283**	7,501
Less disposals				(40)	(406)		**(446)**	(141)
End of year			87,349	35,944	8,071		**131,364**	124,527
Net book value	$ 14,359	$ 17,135	$ 114,842	$ 5,579	$ 1,098	$ 565	**$ 153,578**	$ 150,370

The Niagara Parks Commission
Schedule of Expenses by Object
For the Year Ended October 31, 2011
(in thousands of dollars)

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010 (As restated) (Note 2)
Cost of goods sold	$ 10,752	**$ 9,917**	$ 10,691
Salaries, wages and benefits	40,526	**39,380**	38,548
Sales and other	1,301	**1,006**	1,274
Equipment repairs and maintenance	4,673	**4,360**	4,658
Materials and supplies	2,323	**1,840**	2,079
Advertising and promotion	2,335	**2,000**	2,266
Facilities	5,899	**5,632**	5,337
Administrative	1,359	**1,978**	1,354
	$ 69,168	**$ 66,113**	$ 66,207

Ontario
Northern Ontario Heritage Fund Corporation
Société de gestion du Fonds du patrimoine du Nord de l'Ontario

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Responsibility for Financial Reporting

The accompanying financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC) have been prepared in accordance with Canadian public sector accounting standards, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 28, 2012.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of members who are not employees/officers of NOHFC generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Bruce Strapp Executive Director NOHFC	Mike Murray, CA Manager, Financial Services NOHFC	Susan Richichi, CA Senior Financial Consultant NOHFC

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the accompanying financial statements of the Northern Ontario Heritage Fund Corporation, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of operations, changes in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Ontario Heritage Fund Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations, changes in its net financial assets and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 28, 2012

Peall

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

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NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position
As at March 31, 2012

	March 31, 2012 ($000s)	March 31, 2011 ($000s) (Note 2)	April 1, 2010 ($000s) (Note 2)
Financial assets			
Cash and cash equivalents (Note 4)	**206,626**	216,940	220,073
Accrued interest	**1,271**	1,774	1,204
Advance to other Ministries	**-**	-	100
Receivable from the Province of Ontario	**-**	-	10,000
Loans receivable (Note 5)	**62,848**	55,430	43,627
Patten Post Diversification Fund under administration (Note 7)	**474**	777	1,201
Duke Energy Fund under administration (Note 8)	**240**	235	241
	271,459	275,156	276,446
Liabilities			
Accounts payable	**918**	1,206	1,038
Patten Post Diversification Fund under administration (Note 7)	**474**	777	1,201
Duke Energy Fund under administration (Note 8))	**240**	235	241
	1,632	2,218	2,480
Net financial assets	**269,827**	272,938	273,966
Non-financial assets			
Tangible capital assets (Note 6)	**24**	-	-
Net investment by the Province of Ontario	**269,851**	272,938	273,966

Commitments (Note 11)

See accompanying notes to financial statements.

On behalf of the Board:

Co-Chair

Sharon E. Hacio

Co-Chair

Executive Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Operations
For the Year Ended March 31, 2012

	Budget ($000s) (unaudited)	**2012 ($000s)**	2011 ($000s) (Note 2)
Revenue			
Province of Ontario grant	100,000	**100,000**	90,000
Interest on cash and cash equivalents	2,122	**2,723**	2,294
Interest on loans receivable	1,369	**2,700**	2,355
Other	-	**318**	460
	103,491	**105,741**	95,109
Expenses			
Conditional contributions	86,337	**96,843**	82,394
Credit losses, net of recoveries (Note 9)	5,840	**5,768**	6,683
Administration (Note 10)	8,883	**6,217**	7,060
	101,061	**108,828**	96,137
Excess of expenses over revenue	2,430	**(3,087)**	(1,028)
Net investment by the Province of Ontario, beginning of year		**272,938**	273,966
Net investment by the Province of Ontario, end of year		**269,851**	272,938

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2012

	2012 ($000s)	2011 ($000s)
Excess of expenses over revenue	**(3,087)**	(1,028)
Amortization of tangible capital assets	**2**	-
Acquisition of tangible capital assets	**(26)**	-
Decrease in net financial assets	**(3,111)**	(1,028)
Net financial assets, beginning of year	**272,938**	273,966
Net financial assets, end of year	**269,827**	272,938

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2012

	2012 ($000s)	2011 ($000s)
Lending, investing and financial assistance activities		
Loan disbursements	**(21,651)**	(21,868)
Loan repayments and recoveries	**9,052**	3,850
Conditional contributions	**(96,419)**	(81,238)
Interest received on loans receivable	**2,216**	1,161
	(106,802)	(98,095)
Financing activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	**100,000**	100,000
Operating activities		
Amortization	**(2)**	-
Interest received on cash and cash equivalents	**3,015**	1,754
Administration costs	**(6,499)**	(6,892)
Advance to other Ministries	**-**	100
	(3,486)	(5,038)
Capital activities		
Acquisition of tangible capital assets	**(26)**	-
Decrease in cash and cash equivalents	**(10,314)**	(3,133)
Cash and cash equivalents, beginning of year	**216,940**	220,073
Cash and cash equivalents, end of year	**206,626**	216,940

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2012

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1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, and incentive term loans. As an Ontario Crown agency, the Corporation is exempt from federal and provincial income taxes under the *Income Tax Act (Canada)*.

The Corporation partners with communities, businesses, entrepreneurs and youth across Northern Ontario to create jobs and strengthen the Northern economy. The Corporation delivers seven targeted programs as follows: Enterprises North Job Creation Program, Youth Internship and Co-op Program, Young Entrepreneur Program, Northern Energy Program, Emerging Technology Program, Entrepreneur Program and Infrastructure and Community Development Program.

2. CONVERSION TO PUBLIC SECTOR ACCOUNTING STANDARDS

Commencing with the 2012 fiscal year, Northern Ontario Heritage Fund Corporation has adopted Canadian public sector accounting ("PSA") standards. These financial statements are the first financial statements for which Northern Ontario Heritage Fund Corporation has applied Canadian public sector accounting standards.

The impact of the conversion to Canadian public sector accounting standards resulted in 2011 revenue and expenditures increasing by $460 and no impact on the Net Investment by the Province of Ontario.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) Transactions with the Province of Ontario

The Province of Ontario contributes funds to finance the lending and financial assistance activities. The Province's investment is increased (reduced) by the excess (deficiency) of revenue over expenses.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of funds on deposit in chartered banks and short-term investments on deposit with the Ontario Financing Authority, a related party.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2012

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

The cost, less residual value of the tangible capital asset, is amortized on a straight line basis over their estimated useful lives as follows:

Automotive	7 years

(e) Provision for Credit Losses

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and is deducted from loans receivable.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions, are charged to credit losses in the Statement of Operations.

(f) Revenue Recognition

Government grants are recognized when receivable. Interest income is recognized on the accrual basis.

Other conditional income is recognized as revenue in relation to specific expenses incurred.

(g) Conditional Contributions and Forgivable Loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses conditional contributions and forgivable loans when disbursed, as historically the proponents have met all conditions. Recoveries of monies for which the conditions are not met are recognized in the year received.

(h) Use of Estimates

Preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates include the provision for credit losses and the loan discount.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2012

4. CASH AND CASH EQUIVALENTS

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

	2012 ($000s)	2011 ($000s)
Cash	**37,313**	21,555
Short-term investments	**169,313**	195,385
	206,626	216,940

Short-term investments consist of treasury bills (maturing within 365 days) which yielded 1.20% on average (2011 – 1.10%). All treasury bills are redeemable on demand.

5. LOANS RECEIVABLE

	2012 ($000s)	2011 ($000s)
Current	**4,970**	5,580
Long-term	**80,097**	67,433
Provision for credit losses on specific loans	**(20,396)**	(15,172)
Loan discount	**(1,823)**	(2,411)
	62,848	55,430

Generally, loans bear fixed interest rates ranging from 0% to 9.25% and are fully repayable within 20 years from the date disbursed.

The changes in the provision for credit losses on specific loans are as follows:

	2012 ($000s)	2011 ($000s)
Balance, beginning of year	**15,172**	8,812
Loans written off in the year	**(544)**	(323)
Change in loan provision	**5,768**	6,683
Balance, end of year	**20,396**	15,172

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2012

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5. LOANS RECEIVABLE (CONTINUED)

The changes in the loan discount balances are as follows:

	2012 ($000s)	2011 ($000s)
Balance, beginning of year	2,411	2,376
Amount of loan discount charged	106	696
Amount amortized to interest on loans receivable	(694)	(661)
Balance, end of year	1,823	2,411

6. TANGIBLE CAPITAL ASSETS

	2012 ($000s)	2011 ($000s)
Cost		
Opening	-	-
Additions	26	-
Closing	26	-
Accumulated amortization		
Opening	-	-
Amortization	2	-
Closing	2	-
Net book value, end of year	24	-

7. PATTEN POST DIVERSIFICATION FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund is to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation is responsible for processing applications for funding according to established funding criteria until the balance in the fund is disbursed.

The activity of the Fund was as follows:

	2012 ($000s)	2011 ($000s)
Investment income	15	24
Disbursements to communities	(318)	(448)
Net results for the year	(303)	(424)
Fund balance, beginning of year	777	1,201
Fund balance, end of year	474	777

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2012

8. DUKE ENERGY FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Union Gas Limited, a Duke Energy Company, on July 15, 2005. The objective of the Fund is to benefit Northern Ontario through funding for job-training projects proposed by educational institutions located in Northern Ontario under NOHFC's Emerging Technologies program. The Corporation is responsible for processing applications for funding based on advice from Duke Energy Company and according to established funding criteria until the balance in the fund is disbursed.

The activity of the Fund was as follows:

	2012 ($000s)	2011 ($000s)
Investment income	**5**	6
Disbursements to communities	**-**	(12)
Net results for the year	**5**	(6)
Fund balance, beginning of year	**235**	241
Fund balance, end of year	**240**	235

9. CREDIT LOSSES

Credit losses shown in the Statement of Operations are as follows:

	2012 ($000s)	2011 ($000s)
Loans written off in the year	**544**	323
Less: amounts provided for in previous years	**(544)**	(284)
	-	39
Change in provision on active loans	**5,768**	6,644
Change in loan provision	**5,768**	6,683

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2012

10. ADMINISTRATION EXPENSES

Details of administration expenses in the year are as follows:

	Budget ($000s) (unaudited)	**2012 ($000s)**	2011 ($000s)
Contracted salaries and benefits	1,732	**1,791**	1,893
Transportation and communications	290	**209**	275
Services	4,126	**1,553**	1,950
Management fees	2,200	**2,247**	2,472
Marketing	-	**264**	419
Supplies and equipment	35	**65**	51
Financial information system	500	**86**	-
Amortization of tangible capital assets	-	**2**	-
	8,883	**6,217**	7,060

The Ministry of Government Services provides pension benefits for all of NOHFC's permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. The costs of the pension plans, and other post-retirement non-pension benefits provided to eligible staff are paid by the Ministry and are not included in these financial statements.

11. COMMITMENTS

Funds committed, but not disbursed, as at March 31, 2012 are $189,776,980 (2011: $203,597,806).

12. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes.

Public Health Ontario
PARTNERS FOR HEALTH
Santé publique Ontario
PARTENAIRES POUR LA SANTÉ

MANAGEMENT RESPONSIBILITY REPORT

Ontario Agency for Health Protection and Promotion (OAHPP) management is responsible for preparing the accompanying financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

In preparing these financial statements management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

OAHPP maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with OAHPP policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Standing Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Ernst & Young LLP has full and free access to the Audit and Finance Standing Committee.

Management acknowledges its responsibility to provide financial information that is representative of OAHPP operations, is consistent and reliable, and is relevant for the informed evaluation of OAHPP activities.

Vivek Goel
President and CEO

Norman Rees, CA
Chief Financial Officer

June 27, 2012

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Ontario
Agency for Health Protection and Promotion
Agence de protection et de promotion de la santé

INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Agency for Health Protection and Promotion

We have audited the accompanying financial statements of **Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]**, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]** as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada,
June 27, 2012.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31

	2012 $	2011 $
ASSETS		
Current		
Cash	**31,987**	29,026
Accounts receivable *[note 3]*	**1,496**	2,146
Prepaid expenses	**1,612**	968
Total current assets	**35,095**	32,140
Restricted cash *[note 4]*	**9,728**	7,596
Accounts receivable *[note 3]*	—	840
Capital assets, net *[note 5]*	**18,277**	18,573
	63,100	59,149
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**32,476**	30,217
Total current liabilities	**32,476**	30,217
Deferred capital asset contributions *[note 6]*	**20,159**	19,413
Deferred contributions *[note 7]*	**3,077**	2,377
Accrued benefit liability *[note 8]*	**5,652**	5,797
Other liabilities	**1,736**	1,345
Total liabilities	**63,100**	59,149
Commitments and contingencies *[note 11]*		
Net assets	—	—
	63,100	59,149

See accompanying notes

On behalf of the Board:

Director

Director

Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]

STATEMENT OF OPERATIONS AND NET ASSETS

[in thousands of dollars]

Year ended March 31

	2012 $	2011 $
REVENUE		
Ministry of Health and Long-Term Care	**126,177**	116,666
Ministry of Health and Long-Term Care [formerly Ministry of Health Promotion and Sport]	**3,585**	3,657
Amortization of deferred capital asset contributions *[note 6]*	**5,451**	4,853
Other grants	**807**	1,342
Miscellaneous recoveries	**1,342**	740
	137,362	127,258
EXPENSES *[note 8]*		
Public health laboratory program	**89,581**	89,374
Science and public health programs	**30,376**	21,885
General and administration *[note 9]*	**11,954**	11,146
Amortization of capital assets *[note 5]*	**5,451**	4,853
	137,362	127,258
Excess of revenue over expenses for the year	**—**	—
Net assets, beginning of year	**—**	—
Net assets, end of year	**—**	—

See accompanying notes

Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2012 $	2011 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	—	—
Add (deduct) items not affecting cash		
Amortization of deferred capital asset contributions	(5,451)	(4,853)
Amortization of capital assets	5,451	4,853
	—	—
Changes in non-cash operating items		
Decrease (increase) in accounts receivable *[note 10]*	1,490	(887)
Increase in prepaid expenses	(644)	(317)
Decrease (increase) in restricted cash	(2,132)	88
Increase in deferred contributions	700	316
Increase in other liabilities	391	793
Increase (decrease) in accounts payable and accrued liabilities *[note 10]*	(599)	12,690
Net change in accrued benefit liability	(145)	447
Cash provided by (used in) operating activities	(939)	13,130
CAPITAL ACTIVITIES		
Acquisition of capital assets *[note 10]*	(2,297)	(2,042)
Cash applied to capital activities	(2,297)	(2,042)
FINANCING ACTIVITIES		
Contributions for capital asset purchases *[note 10]*	6,197	4,849
Cash provided by financing activities	6,197	4,849
Net increase in cash during the year	2,961	15,937
Cash, beginning of year	29,026	13,089
Cash, end of year	31,987	29,026

See accompanying notes

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

1. DESCRIPTION OF THE ORGANIZATION

Ontario Agency for Health Protection and Promotion ["OAHPP"] was established under the Ontario Agency for Health Protection and Promotion Act, 2007 as a corporation without share capital. OAHPP's mandate is to enhance the protection and promotion of the health of Ontarians, contribute to efforts to reduce health inequities, provide scientific and technical advice and support to those working across sectors to protect and improve the health of Ontarians and to carry out and support activities such as population health assessment, public health research, surveillance, epidemiology, planning and evaluation.

Under the Ontario Agency for Health Protection and Promotion Act, 2007, OAHPP is primarily funded by the Province of Ontario.

OAHPP as an agency of the Crown is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. OAHPP has elected to follow PS 4200-4270 in the Public Sector Accounting Handbook.

Revenue recognition

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair market value at date of contribution. Amortization is provided on a straight-line basis based upon the estimated useful service lives of the assets as follows:

Building service equipment	5-30 years
Other equipment	5-10 years
Furniture	5-20 years
Leasehold improvements	Over the term of the lease

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

Inventory and other supplies held for consumption

Inventory and other supplies held for consumption are expensed when acquired.

Employee future benefits

Contributions to multi-employer, defined benefit pension plans are expensed when contributions are due.

Other employee future benefits are non-pension benefits that are provided to certain employees and are accrued as the employees render the service necessary to earn these future benefits. The cost of these future benefits is actuarially determined using the projected unit credit method, prorated on service and management's best estimate of expected salary escalation and retirement ages of employees. Net actuarial gains and losses related to the employee future benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted using the average interest cost for the Province of Ontario's net new debt obligations with maturities that correspond to the duration of the liability.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Contributed materials and services

Contributed materials and services are not recorded in the financial statements.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year end. Gains or losses arising from translation of short-term monetary assets are included in the statement of operations.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	2012 $	2011 $
Ministry of Health and Long-Term Care	—	1,420
Trade	**894**	481
Harmonized Sales Tax	**602**	1,085
	1,496	2,986
Less amount recorded as long-term *[note 6]*	—	(840)
	1,496	2,146

4. RESTRICTED CASH

[a] Restricted cash consists of the following:

	2012 $	2011 $
Ministry of Health and Long-Term Care *[notes 4[b] and 8[b]]*	**9,397**	7,282
Sheela Basrur Centre *[note 7[a]]*	**331**	314
	9,728	7,596

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

Restricted cash from Ministry of Health and Long-Term Care ["MOHLTC"] represents funding received in connection with the liability assumed by OAHPP in connection with severance *[note 8[b]]* and other credits [primarily accrued vacation pay] related to employees who transferred to OAHPP [Ontario public health laboratories in 2008 and Public Health Architecture in 2011] and unspent cash pertaining to capital projects. Funds associated with severance and other credits are drawn down when transferred employees leave employment with OAHPP.

[b] The continuity of MOHLTC restricted cash is as follows:

	2012			
	Severance credits **$**	**Other credits** **$**	**Capital projects** **$**	**Total** **$**
Restricted cash, beginning of year	**5,966**	**1,316**	**—**	**7,282**
Restricted cash received	**309**	**211**	**1,882**	**2,402**
Interest earned	**75**	**17**	**—**	**92**
Restricted cash drawdown *[note 8[b]]*	**(351)**	**(28)**	**—**	**(379)**
Restricted cash, end of year	**5,999**	**1,516**	**1,882**	**9,397**

	2011		
	Severance credits **$**	**Other credits** **$**	**Total** **$**
Restricted cash, beginning of year	6,136	1,338	7,474
Interest earned	58	13	71
Restricted cash drawdown *[note 8[b]]*	(228)	(35)	(263)
Restricted cash, end of year	5,966	1,316	7,282

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

5. CAPITAL ASSETS

Capital assets consist of the following:

	2012		
	Cost $	Accumulated amortization $	Net book value $
Building service equipment	**369**	**119**	**250**
Other equipment	**24,839**	**11,842**	**12,997**
Furniture	**2,072**	**1,151**	**921**
Leasehold improvements	**6,023**	**1,914**	**4,109**
	33,303	**15,026**	**18,277**

	2011		
	Cost $	Accumulated amortization $	Net book value $
Building service equipment	476	91	385
Other equipment	20,369	7,591	12,778
Furniture	1,905	743	1,162
Leasehold improvements	5,398	1,150	4,248
	28,148	9,575	18,573

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

6. DEFERRED CAPITAL ASSET CONTRIBUTIONS

Deferred capital asset contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital asset contributions is recorded as revenue in the statement of operations. The continuity of the deferred capital asset contributions balance is as follows:

	2012 $	2011 $
Deferred capital asset contributions, beginning of year	**19,413**	17,737
Contributions for capital purposes	**6,197**	6,529
Amortization of deferred capital asset contributions	**(5,451)**	(4,853)
Deferred capital asset contributions, end of year	**20,159**	19,413
Unspent deferred capital asset contributions *[notes 3 and 4[b]]*	**(1,882)**	(840)
Deferred capital asset contributions spent on capital assets	**18,277**	18,573

7. DEFERRED CONTRIBUTIONS

[a] Deferred contributions consist of unspent externally restricted grants and donations for the following purposes:

	2012 $	2011 $
Severance credits	**1,226**	1,270
Sheela Basrur Centre *[note 4]*	**331**	314
Other	**1,520**	793
	3,077	2,377

[b] Deferred contributions for severance credits represent the difference between the restricted cash held for severance credits and the portion of the accrued benefit liability associated with service prior to the transfer of employees of the laboratories to OAHPP *[note 8[b]]*.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

[c] Deferred contributions for the Sheela Basrur Centre [the "Centre"] represent unspent funds held by OAHPP restricted for the Centre's outreach programs. In addition to these funds, $195 [2011 - $187] is held by the Toronto Community Foundation for the benefit of the Centre and its programs.

Named after the late Dr. Sheela Basrur, a former Chief Medical Officer of Health for the Province of Ontario, the Centre was created to become a prominent provider of public health education and training.

8. EMPLOYEE FUTURE BENEFIT PLANS

[a] Multi-employer pension plan

Certain employees of OAHPP are members of the Ontario Public Service Employees Union ["OPSEU"] Pension Plan, the Healthcare of Ontario Pension Plan ["HOOPP"] or the Ontario Public Service Pension Plan ["PSPP"], which are multi-employer, defined benefit pension plans. These pension plans are accounted for as defined contribution plans. OAHPP contributions to the OPSEU Pension Plan, HOOPP and PSPP during the year amounted to $2,422 [2011 - $1,865], $1,971 [2011 - $1,568], and $557 [2011 - $388], respectively, and are included in expenses in the statement of operations.

[b] Severance credits

OAHPP assumed the non-pension post-employment defined benefit plans provided to employees from the Government of Ontario as part of the transfer of employees from Ontario public health laboratories [in 2008] and Public Health Architecture [in 2011]. These defined benefit plans provide a lump sum payment paid on retirement to certain employees related to years of service. The latest actuarial valuation for the non-pension defined benefit plan was performed as of March 31, 2012. OAHPP measures its accrued benefit obligation for accounting purposes as at March 31 of each year based on an extrapolation from the latest actuarial valuation.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

Additional information on the benefit plans is as follows:

	2012 $	2011 $
Accrued benefit obligation	**5,610**	5,726
Plan assets	**—**	—
Plan deficit	**5,610**	5,726
Unamortized actuarial gains	**42**	71
Accrued benefit liability, end of year	**5,652**	5,797

The continuity of the accrued benefit liability as at March 31 is as follows:

	2012 $	2011 $
Accrued benefit liability, beginning of year	**5,797**	5,350
Transfer of Public Health Architecture staff liability	**245**	—
Expense (recovery) for the year	**(39)**	675
Contributions to cover benefits paid *[note 4[b]]*	**(351)**	(228)
Accrued benefit liability, end of year	**5,652**	5,797

The significant actuarial assumptions adopted in measuring OAHPP's accrued benefit obligation and expense are as follows:

	2012 %	2011 %
Accrued benefit obligation		
Discount rate	**4.50**	5.30
Rate of compensation increase	**3.25**	3.50
Rate of inflation	**2.25**	2.50
Expense		
Discount rate	**5.30**	5.30
Rate of compensation increase	**3.50**	3.50
Rate of inflation	**2.50**	2.50

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

9. DIRECTORS' REMUNERATION

The Government Appointees Directive requires the disclosure of remuneration paid to directors. During the year ended March 31, 2012, directors were paid $25 [2011 - $19].

10. SUPPLEMENTAL CASH FLOW INFORMATION

The change in accounts payable and accrued liabilities related to the purchase of capital assets is adjusted for capital assets received but not paid for as at year end of $2,858 [2011 - $3,647] and has been excluded from the statement of cash flows.

The change in accounts receivable related to contributions for capital asset purchases is adjusted for contributions receivable but not received as at year end of nil [2011 - $840] and has also been excluded from the statement of cash flows.

11. COMMITMENTS AND CONTINGENCIES

[a] Under the Laboratories Transfer Agreement, MOHLTC is responsible for all obligations and liabilities in respect of the public health laboratories that existed as at the transfer date or which may arise thereafter and have a cause of action that existed prior to the transfer date of December 15, 2008.

[b] OAHPP is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members of the pool pay annual deposit premiums which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years in which OAHPP participated. To March 31, 2012, no assessments have been received.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2012

[c] The committed future minimum annual payments under operating leases consist of the following:

	$
2013	9,480
2014	8,081
2015	3,393
2016	3,405
2017	2,932
Thereafter	5,423

12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2012 financial statements.

Ontario Capital Growth Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation (OCGC) have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 19, 2012.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit and Risk Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit and Risk Committee assists the Board in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by an independent third-party auditor, PricewaterhouseCoopers LLP. The Auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and their opinion.

On behalf of Management:

John Marshall, President and Chief Executive Officer pwc

June 19, 2012

Independent Auditor's Report

To the Board of Directors of
Ontario Capital Growth Corporation

We have audited the accompanying financial statements of Ontario Capital Growth Corporation, which comprise the statements of financial position as at March 31, 2012 and March 31, 2011 and the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, changes in net assets and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, Chartered Accountants
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Capital Growth Corporation as at March 31, 2012 and March 31, 2011 and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Ontario Capital Growth Corporation

Statements of Financial Position

As at March 31, 2012 and March 31, 2011

	2012 $	2011 $
Assets		
Cash and cash equivalents	2,255,982	1,918,605
Marketable securities (note 6)	58,582,152	77,236,734
Accounts receivable (note 5)	3,515,811	739,468
Ontario Venture Capital Fund LP (note 7)	35,790,326	16,442,037
Ontario Emerging Technologies Fund (notes 8 and 10)	42,734,401	27,448,706
	142,878,672	123,785,550
Liabilities		
Accounts payable (note 12)	800,000	585,716
Net Assets	142,078,672	123,199,834
Non-financial assets	-	-
Accumulated surplus	142,078,672	123,199,834
Accumulated surplus is comprised of		
Accumulated operating surplus	142,001,135	123,214,713
Accumulated remeasurement losses	77,537	(14,879)
	142,078,672	123,199,834

Approved by the Board of Directors

Director Director

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Operations and Changes in Accumulated Operating Surplus

For the years ended March 31, 2012 and March 31, 2011

	2012 $	2011 $
Revenues		
Funding and transfer payments from the Province of Ontario - Ontario Emerging Technologies Fund (note 8)	27,435,630	23,067,176
Interest income	770,312	889,868
	28,205,942	23,957,044
Expenditures		
Reimbursements to Ministry of Economic Development and Innovation (note 12)	1,083,129	926,716
Cash management fees (note 9)	36,916	42,423
Professional services fees (note 9)	674,136	335,036
Board and committee member fees	51,900	-
Loss on sale of Ontario Emerging Technologies Fund portfolio investment (note 10)	1,941,576	-
Impairment of Ontario Emerging Technologies Fund portfolio investments (note 11)	5,643,117	-
Foreign currency exchange (gain) loss (note 3)	(11,254)	572,826
	9,419,520	1,877,001
Operating surplus	18,786,422	22,080,043
Accumulated operating surplus - Beginning of year	123,214,713	101,134,670
Accumulated operating surplus - End of year	142,001,135	123,214,713

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Remeasurement Gains and Losses

For the years ended March 31, 2012 and March 31, 2011

	2012 $	2011 $
Accumulated remeasurement losses - Beginning of year	(14,879)	-
Unrealized gains (losses) attributable to		
Foreign exchange	77,537	-
Portfolio investments	14,879	(14,879)
	92,416	(14,879)
Accumulated remeasurement losses - End of year	77,537	(14,879)

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Changes in Net Assets

For the years ended March 31, 2012 and March 31, 2011

	2012 $	2011 $
Net assets - Beginning of year	123,199,834	101,134,670
Operating surplus	18,786,422	22,080,043
Net remeasurement gains (losses)	92,416	(14,879)
Increase in net assets	18,878,838	22,065,164
Net assets - End of year	142,078,672	123,199,834

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Cash Flows

For the years ended March 31, 2012 and March 31, 2011

	2012 $	2011 $
Cash provided by (used in)		
Operating activities		
Increase in net assets	18,878,838	22,065,164
Unrealized (gains) losses attributable to portfolio investments	(14,879)	14,879
Changes in non-cash operating balances		
(Increase) decrease in accounts receivable	(2,776,343)	1,840,532
Increase (decrease) in accounts payable	214,284	(572,380)
Loss on sale of Ontario Emerging Technologies Fund portfolio investment	1,941,576	-
Impairment of Ontario Emerging Technologies Fund portfolio investment	5,643,117	-
	23,886,593	23,348,195
Investing activities		
Purchase of marketable securities	(206,879,054)	(233,203,970)
Sale of marketable securities	225,548,515	240,941,660
Purchase of Ontario Venture Capital Fund LP	(19,348,289)	(8,505,309)
Purchase of Ontario Emerging Technologies Fund	(23,020,388)	(21,468,706)
Sale of Ontario Emerging Technologies Fund	150,000	-
	(23,549,216)	(22,236,325)
Increase in cash and cash equivalents during the year	337,377	1,111,870
Cash and cash equivalents - Beginning of year	1,918,605	806,735
Cash and cash equivalents - End of year	2,255,982	1,918,605

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

1 Description of business

Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as of February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI). The MRI and the Ministry of Economic Development and Trade were amalgamated in November 2011 to form the Ministry of Economic Development and Innovation (MEDI).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF);

b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in Section 4(a); and

c) to carry out the other objects that are prescribed by Ontario Regulation 278/09 (the Regulations).

Under Section 1 of the Regulations, made under the Act, the following are prescribed as additional objects of the Corporation:

a) to acquire, manage and otherwise deal with a portfolio of investments in businesses that the Corporation considers constitute emerging technologies businesses, which portfolio is known in English as the Ontario Emerging Technologies Fund (OETF) and in French as Fonds ontarien de développement des technologies émergentes; and

b) to receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with the objects described in clause 1(a).

As required by the Agency Establishment and Accountability Directive, the Corporation and MEDI have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between OCGC and MEDI.

OCGC is classified as an Operational Enterprise Agency. OCGC is responsible for fulfilling the Province of Ontario's contractual obligations as a limited partner in the OVCF. OCGC is also responsible to establish, hold, manage and administer the OETF.

OVCF is a joint initiative between the Province of Ontario and leading institutional investors. It is structured as a fund-of-funds that invests primarily in Ontario-based and Ontario-focused venture capital and growth funds, which, in turn, makes investments in innovative, high-growth companies. OVCF was established to provide investment funding to venture capital and growth equity managers capable of generating superior returns by investing in enterprises with a view to creating large, globally competitive companies.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

OETF is structured as a direct co-investment fund that will only make investments in innovative high-potential companies alongside other qualified investor(s) with a proven track record of success. OETF is an initiative of the Government of Ontario to invest in innovative high-potential companies with an Ontario footprint in three strategic sectors: (a) clean technology; (b) digital media and information and communications technologies; and (c) life sciences and advanced health technologies.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). OCGC also claims exemption from the federal goods and services tax imposed by the Excise Tax Act (Canada). In November 2009, the Canada Revenue Agency confirmed exemption from the goods and services tax effective February 1, 2009.

As part of the change to the harmonized sales tax (HST) and in accordance with the HST agreement between the Governments of Ontario and Canada, provincial government entities (ministries and agencies) no longer have an exemption from paying the GST/HST. As of July 1, 2010, a pay and rebate model applies. This means that OCGC now pays the 13% HST on taxable supplies, and then applies for a rebate of the full 13% amount.

OCGC operates in the same fiscal year ending March 31 as the Government of Ontario.

2 Conversion to public sector accounting standards

Commencing with the 2012 fiscal year, the Corporation has adopted Canadian public sector accounting standards (PSAS). These financial statements are the first financial statements for which the Corporation has applied PSAS. Also, on April 1, 2011, the Corporation adopted PSAS Section 1201 - Financial Statement Presentation, PSAS Section 2601 - Foreign Currency Translation and PSAS Section 3450 - Financial Instruments.

On transition to PSAS, investments other than marketable securities previously accounted for at fair value are accounted for at cost. There was no impact to the accumulated surplus of the Corporation upon conversion to PSAS. In addition, first time adoption of the new standard did not require any retroactive restatement of prior period financial statements.

3 Summary of significant accounting policies

The Corporation's functional and presentation currency is the Canadian dollar. The financial statements have been prepared in accordance with PSAS established by the Canadian Public Sector Accounting Board. The more significant accounting policies of the Corporation are summarized below.

Cash and cash equivalents

Cash and cash equivalents include demand deposits that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

Marketable securities

Marketable securities quoted in an active market are measured at fair value as at the dates of the statements of financial position with any unrealized gain or loss recognized on the statements of remeasurement gains and losses. Remeasurement gains and losses related to a particular investment are reclassified to the statements of operations when that investment is settled. Fair value includes the value of accrued interest, as applicable.

Portfolio investments that are not traded in an active market are measured at cost. Impairment losses, which are other than temporary, are recognized in the statements of operations when they occur.

Ontario Venture Capital Fund LP (OVCF)

The investment in OVCF is classified as a financial instrument and carried at cost based on the capital calls made by the general partner of OVCF. The investment in OVCF is not traded in an active market; therefore, fair value of the investment is not readily determinable. OVCF investments are subsequently tested for impairment on each statement of financial position date and any losses due to impairment are recognized in the statements of operations on that date.

Ontario Emerging Technologies Fund (OETF)

Investments in OETF are classified as financial instruments and carried at cost or measured at fair value based on the existence of an active market for the securities. OETF investments quoted in an active market are measured at fair value as at the statements of financial position date with any unrealized gain or loss recognized on the statements of remeasurement gains and losses. Remeasurement gains and losses are reclassified to the statements of operations when an investment becomes impaired or is derecognized. Impairment losses which are other than temporary are recorded to the statements of operations when recognized. Fair value includes the value of accrued interest or dividends payable, as applicable.

When an OETF investment is not traded in an active market, it is measured at cost. OETF investments are tested for impairment on each statement of financial position date and any impairment losses are recognized in the statements of operations on those dates.

Accrued interest and dividends on OETF investments are recorded as described in note 3, revenue recognition. If the Corporation has evidence that the amounts owing will be collected, these amounts are accrued as receivable; otherwise, a reserve is taken against these amounts. If in a future period the Corporation receives an amount that had been written off, it is recorded as a recovery of interest that had been previously deemed uncollectible. Amounts written off or recovered are recognized in the statements of operations in the period in which they occur.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

Revenue recognition

Interest revenue is recognized as it is earned. For marketable securities and OETF investments, interest revenue is accrued using the effective interest rate method.

Dividend revenue is recognized in the period that the Corporation becomes entitled to receive the dividend as per the terms and conditions of the share issuance.

OETF funding received represents monies transferred from MEDI to the Corporation, as described in note 8.

Expense categories

Cash management fees primarily represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Board and committee member expenses represent monies paid to board and committee members according to the Board and Committee Members Remuneration Policy which conforms with the Government Appointees Directive of Management Board of Cabinet (May 1, 2011).

Reimbursements to MEDI represent direct OCGC expenses paid by MEDI on its behalf for administrative purposes only.

Foreign currency translation

Foreign currency gains and losses on monetary items are recognized immediately in the statements of operations. Unrealized foreign currency gains and losses on portfolio investments, OVCF investments, and OETF investments are recognized in the statements of remeasurement gains and losses. Unrealized foreign currency exchange gains and losses are reclassified from the statements of remeasurement gains and losses to the statements of operations when the financial instrument is derecognized.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are based on the best information available at the time of preparation of the financial statements and are periodically reviewed to reflect new information as it becomes available. Actual results could differ from these estimates.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

4 Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation is currently exposed to credit risk through its holdings of convertible debt instruments in OETF. The Corporation considers obligations of the Governments of Ontario and Canada to be risk-free (note 6).

Fair value

The Corporation's carrying values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values due to the immediate or short-term nature of these financial instruments.

The fair value of the investment in the OVCF is not readily determinable and has been recorded at cost. The OVCF does not have a quoted market price in an active market.

The co-investments made in the OETF are recorded at cost, which represents fair value at the time of acquisition. Investments that are quoted in an active market are measured at fair value at subsequent statement of financial position dates. Any unrealized gain or loss at this date is recognized on the statements of remeasurement gains and losses until the investment is derecognized or other than temporarily impaired. All other OETF investments are measured at cost or amortized cost. As part of the reporting process to the Province of Ontario, the Corporation is required to carry out periodic valuations of OETF portfolio investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investments are determined to be impaired, they are written down to the new carrying value and the resultant impairment expense is recognized immediately in the statements of operations. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition should be measured at fair value unless that derivative is linked to and must be settled by delivery of unquoted equity instruments, in which case would require the derivative to be measured at cost. For derivatives classified to the fair value category, value is first determined by referencing a quoted price in an active market, or, in absence of this, applying a suitable valuation technique.

Currency risk

Currency risk is the risk to the Corporation's income that arises from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation's exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of $5,889,580 to the US dollar as at March 31, 2012 (2011 - $8,660,018). A 5% strengthening (5% weakening) of the Canadian dollar against the US dollar at March 31, 2012 would result in a $294,479 increase ($294,479 decrease) on the statements of remeasurement gains and losses (2011 - $433,000) with no impact on the operating surplus. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term marketable securities and OETF portfolio. Risks from interest rate fluctuations for marketable securities are minimal due to the investments being held for a term of three years or less to match the OVCF draw downs projected by the OVCF fund manager. The impact of interest rate fluctuations on OETF investments are considered minimal as these instruments are primarily held for purposes of capital appreciation, as further described in note 6.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2012, if the value of the investments in OVCF and OETF had increased or decreased by 5%, all other variables held constant, the value of the investments would have increased or decreased by $3,926,236 (2011 - $2,194,537). Investments made through OVCF or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by the OCGC on eventual disposition is inherently unpredictable.

Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The carrying value of the OETF portfolio is measured at cost at the statements of financial position dates; however, the amounts that may ultimately be realized could be materially different.

5 Accounts receivable

For each fiscal year ending March 31, disbursements under OETF transfer payment agreement to the Corporation may be overdue from the Province of Ontario due to year-end payment processing delays. For fiscal 2011 and 2012, overdue payments of $700,000 and $3,500,000 were received in full subsequent to the March 31 year ends, respectively.

As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases and, subsequently, files a monthly rebate claim with the Canada Revenue Agency for the HST paid. HST rebates receivable as at March 31, 2012 amounted to $15,811.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

6 Marketable securities

The OCGC may temporarily invest any monies not immediately required to carry out its objects in:

a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or

b) interest bearing accounts and short-term certificates of deposits issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

Fair value of portfolio investments as at March 31 is as follows:

	2012 $	2011 $
Aggregate par value $58,814,000 (Province of Ontario treasury bills, due dates ranging from June 6, 2012 to September 12, 2012 average coupon rate of 0.000%)	58,582,152	77,236,734

Fair value includes any accrued interest owing on the treasury bills.

The market value sensitivity of the marketable securities for the year ended March 31, 2012 was $0.22 million (2011 - $0.18 million) for a 1.00% change in rates.

7 Ontario Venture Capital Fund LP (OVCF)

The investment in the OVCF is carried at cost, based on the capital calls made by the general partner of OVCF. As the OVCF is not traded in an active market, the fair value of the investment is not readily determinable.

8 Province of Ontario - Ontario Emerging Technologies Fund (OETF)

The OETF was launched in July of 2009 with a commitment from the Province of Ontario to provide funding of $250 million. The OETF, as a direct co-investment fund, will only make investments into innovative high potential companies alongside other qualified investor(s) with a proven track record of success. Investments will be in: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

9 Contractual commitments

OCGC has the following contractual commitments:

a) In accordance with a financial service agreement between OFA and OCGC, OFA conducts investment and cash management services and activities for the OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.

b) Pursuant to the OVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2012, the total uncalled commitment is $54,208,077 to be drawn down over the remaining years of the OVCF 13-year lifecycle.

c) In accordance with the contract between Northwater Capital Management Inc. (Northwater) and OCGC, Northwater conducts due diligence services and activities to qualify OETF co-investors. This contract was terminated effective December 26, 2011. Via a competitive procurement process, Ernst & Young was contracted to perform the aforementioned advisory services on a fixed rate basis effective September 1, 2011. The full transition from Northwater to Ernst & Young for provision of these services was completed December 31, 2011.

d) In accordance with the contract between Covington Capital Inc. (Covington) and OCGC, Covington conducts services and activities to qualify, monitor, and exit OETF's investments. OCGC pays both a fixed rate and hourly rates for these services and activities, respectively.

e) In accordance with the contract between Weiler & Company (Weiler) and OCGC, Weiler performs accounting functions relating to the operations of OCGC, OVCF investments, and OETF investments. OCGC pays an hourly rate for these services.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

10 Investments in OETF

OETF portfolio as at March 31, 2012 and March 31, 2011, respectively (in Canadian dollars):

	2012			2011		
	Acquisition cost $	Carrying value $	Contingent $	Acquisition Cost $	Carrying value $	Contingent $
Canadian dollar investments	38,914,000	37,714,100	5,086,927	19,234,505	19,234,505	6,187,801
US dollar investments	9,591,371	5,020,301	1,346,563	8,214,201	8,214,201	969,600
	48,505,371	42,734,401	6,433,490	27,448,706	27,448,706	7,157,401

Investments in OETF can take the form of shares or convertible debt. All investments have been made in accordance with OETF guidelines. As at March 31, 2012, the OETF portfolio consisted of investments in 24 different companies, ranging from 0.4% to 3.5% of net assets. The percentage calculations exclude impaired investments in companies with a nominal or nil carrying value (if any).

During the year ended March 31, 2012, the Corporation realized an aggregate loss of $1,941,576 on the sale of OETF investments. The Corporation received an aggregate of $150,000 in consideration for the OETF investments that had an aggregate cost basis of $2,091,576.

11 Impairment of OETF portfolio investments

An impairment of $5,643,117 in OETF portfolio investments is identified by management and is reported on the statements of operations. In the opinion of management, conditions as at March 31, 2012 indicated that certain positions in the OETF portfolio had actual values that were below their cost and that these declines in value were other than temporary.

12 Accounts payable

The Corporation and MEDI carry out their respective operations on a shared-cost basis. The Corporation reimburses MEDI for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology and rent allocations per staff member, external legal services, website development, French language translation, and other services.

Recognition and measurement of any reimbursement is subject to annual negotiations between the Corporation and MEDI, and approval of the extent and scope of MEDI services to be provided. For each fiscal year ending March 31, the Corporation will seek certification from the MEDI that any further potential financial liability with respect to eligible expenses incurred on behalf of the Corporation is fully satisfied without further recourse. Any financial liability to MEDI with respect to reimbursements of eligible expenses incurred prior to March 31, 2012 has been extinguished.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2012 and March 31, 2011

The Corporation accrues eligible expenses reimbursable to MEDI under accounts payable based on estimates provided by MEDI that can be independently verified by the Corporation. Reimbursement payable in arrears as at March 31, 2012 amounted to $645,921 (2011 - $392,900).

The remaining balance as at March 31, 2012 in the amount of $154,079 represents payables in arrears to miscellaneous service providers (2011 - $192,816).

13 Subsequent events

MEDI has caused the Corporation to implement a pause on any new investments under the OETF for an indefinite period of time.

This decision does not affect the Corporation's ability to continue to make follow-on investments into existing portfolio companies and does not affect investments in process that have already been approved by the OCGC Board of Directors but have not yet closed.

14 Comparative figures

Certain comparative amounts have been reclassified to conform to new presentation standards adopted in conjunction with the conversion to PSAS.

Other comparative amounts have been reclassified for purposes of increased relevancy and comparability.

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Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

The Ontario Clean Water Agency is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices and reports are issued to the Executive Management Team.

The Board of Directors ensures that management fulfills its responsibilities for financial and internal control. The Board of Directors and the Audit and Finance Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least annually to review the financial statements and the external auditor's report thereon, and recommend them to the Minister of the Environment for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Jane Pagel

President and Chief Executive Officer

Dan Atkinson

Vice President, Finance and Corporate Services

Toronto, Ontario
April 12, 2012

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Clean Water Agency,
the Minister of the Environment,
and the Minister of Finance

I have audited the accompanying financial statements of the Ontario Clean Water Agency which comprise the balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of operations and changes in net assets, and cash flows for the years ended December 31, 2011 and December 31, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Clean Water Agency as at December 31, 2011, December 31, 2010 and January 1, 2010, and the results of its operations and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with Canadian public sector accounting standards.

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Toronto, Ontario
March 28, 2012

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ONTARIO CLEAN WATER AGENCY

Balance Sheet
As at December 31, 2011

(in thousands of dollars)

	December 31, 2011	**December 31, 2010** (as restated Note 2)	**January 01, 2010** (as restated Note 2)
Assets			
Current assets:			
Cash and short-term investments (note 4)	**37,312**	45,307	50,171
Accounts receivable, net			
Municipalities and other customers	**21,280**	17,203	24,510
Ministry of the Environment	**154**	414	360
Harmonized sales tax receivable	**1,860**	2,381	1,229
Prepaid Expenses	**318**	3,534	3,223
Current portion of investments receivable for water and wastewater facilities (note 3)	**874**	786	762
	61,798	69,625	80,255
Non-current assets			
Investments in term deposits (note 4)	**22,431**	16,702	5,031
Investments receivable for water and wastewater facilities (note 3)	**3,712**	4,597	5,432
Loan receivable - Ontario Infrastructure and Lands Corporation (note 4c)	**120,000**	120,000	120,000
Tangible Capital Assets, net (note 6)	**7,095**	5,433	4,570
	153,238	146,732	135,033
Total Assets	**215,036**	216,357	215,288

ONTARIO CLEAN WATER AGENCY

Balance Sheet
As at December 31, 2011

(in thousands of dollars)

	December 31, 2011	**December 31, 2010** (as restated Note 2)	**January 01, 2010** (as restated Note 2)
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	**16,310**	18,678	16,878
Current portion of employee future benefits (note 10a)	**2,598**	2,996	2,660
	18,908	21,674	19,538
Long-term liabilities:			
Municipal contributions payable (note 5)	**252**	252	252
Employee future benefits (note 10a)	**10,121**	10,112	9,943
	10,373	10,364	10,195
Net Assets:			
Unrestricted Net Assets	**185,755**	184,319	185,555
Contingencies (note 9)			
Total Liabilities and Net Assets	**215,036**	216,357	215,288

see accompanying notes to financial statements

On behalf of the Board

Director

Director

ONTARIO CLEAN WATER AGENCY

Statement of Operations and Changes in Net Assets
For the year ended 2011

(in thousands of dollars)

	2011	2010 (as restated Note 2)
Utility Operations Revenues:		
Utility operations	**137,417**	136,219
Fees	**2,370**	2,447
Total Operating Revenues	**139,787**	138,666
Operating Expenses:		
Salaries and benefits (note 10a and note 10b)	**62,944**	61,315
Other operating expenses	**76,195**	77,820
Amortization of tangible capital assets	**2,218**	1,787
Total Operating Expenses	**141,357**	140,921
Deficiency of revenue over expenses - Utility Operations	**(1,570)**	(2,255)
Financing Revenues:		
Interest from Investments, loans receivable and facilities under construction	**2,777**	2,712
Total Financing Revenues	**2,777**	2,712
Financing Expenses:		
Loan administration expenses	**32**	32
Amortization of fixed assets	**60**	60
Total Financing Expenses	**92**	92
Excess of revenue over expenses - Financing	**2,685**	2,620
Excess of revenue over expenses	**1,115**	365
Net Assets, opening balance	**184,318**	185,555
Adjustments to Net Assets (note 8)	**322**	(1,601)
Net Assets, ending balance	**185,755**	184,318

see accompanying notes to financial statements

ONTARIO CLEAN WATER AGENCY

Statement of Cash Flows
For the year ended December 31

(in thousands of dollars)

	2011	2010 (as restated Note 2)
Cash Provided by (used for) Operating Activities		
Excess (deficiency) of revenue over expenses	**(1,570)**	(2,255)
Items Not Affecting Cash		
Amortization of tangible capital assets	**2,218**	1,787
Increase in future employee benefits expense	**(389)**	505
	259	37
Changes in non-cash operating working capital		
Accounts Receivable	**(3,296)**	6,101
Prepaid Expenses	**3,216**	(311)
Accounts Payable and Accrued Liabilities	**(2,368)**	1,800
	(2,449)	7,590
Net Cash Flows from operating activities	**(2,190)**	7,627
Cash Used in Investing Activities		
Interest Received	**2,777**	2,712
Principal Repaid on Loans	**797**	811
Increase in non-current Term Deposits	**(5,729)**	(11,671)
Financing Expenses	**(32)**	(32)
Net cash flows from investing activities	**(2,187)**	(8,180)
Cash Used in Capital Activities		
Tangible Capital Assets Acquired	**(3,940)**	(2,710)
Cash Used in Financing Activities		
Changes in Net Assets (note 8)	**322**	(1,601)
Decrease in Cash	**(7,995)**	(4,864)
Cash and Short-Term Investments, Opening Balance	**45,307**	50,171
Cash and Short-Term Investments, Closing Balance	**37,312**	45,307

ONTARIO CLEAN WATER AGENCY
December 31, 2011
Notes to Financial Statements

GENERAL

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act, 1993 (the "Act").

In accordance with the Act, the Agency's objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services to protect human health and the environment, encouraging conservation of water resources and supporting Provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Public Sector Accounting Standards for not-for-profits (PSA-NPO) as prescribed by the Public Sector Accounting Board (PSAB). This is the first time that the Agency has prepared its financial statements in accordance with PSA-NPO, having prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). Included below are those accounting policies that are of significance to the Agency. Details of how the transition from Canadian Generally Accepted Accounting Principles (Canadian GAAP) to Public Sector Accounting Standards for not-for-profits (PSA-NPO) has affected the net assets and financial performance are disclosed in Note 2.

(a) Cash and short-term investments

Cash and short-term investments are highly liquid investments with original maturities due within one year.

(b) Tangible Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Tangible Capital assets are amortized on a straight-line basis as follows:

Computer software	2-9 years
Information systems	7 years
Furniture and fixtures	5 years
Automotive equipment	4-20 years
Computer hardware	3-7 years
Machinery and equipment	5 years
Leasehold improvements	Life of the lease

ONTARIO CLEAN WATER AGENCY
December 31, 2011
Notes to Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Use of estimates

The preparation of financial statements in accordance with Public Sector Accounting Standards for not-for-profits (PSA-NPO) requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

2. CHANGE IN BASIS OF ACCOUNTING

The Agency issued financial statements for the year ended December 31, 2010 using Canadian generally accepted accounting principles. The adoption of public sector accounting standards for not-for-profit organizations results in adjustments to report assets, net assets, net income and cash flows as the standards are applied retroactively. The adjustments to net assets at the date of transition of January 1, 2010 were as follows:

	2010 *(in thousands of dollars)*
Opening Equity of Ontario, Canadian GAAP, January 1, 2010	185,649
Remove Revaluation of Investments Receivable for water and wastewater facilities to fair value	94
Opening net assets, Canadian PSAB, January 1, 2010	185,555

ONTARIO CLEAN WATER AGENCY
December 31, 2011
Notes to Financial Statements

2. CHANGE IN BASIS OF ACCOUNTING (cont'd)

A reconciliation of the net income reported in the Agency's 2010 financial statements to its excess of revenue over expenses under public sector accounting standards for not-for-profit organizations is as follows:

	2010 *(in thousands of dollars)*
Net Income, Canadian GAAP, 2010	346
Add back amortization of Investments Receivable for water and wastewater facilities from fair value to face value	19
Excess of revenue over expenses, Canadian PSAB	365

3. INVESTMENTS RECEIVABLE FOR WATER AND WASTERWATER FACILITIES

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 5.96% and 10.52%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning January)	*(in thousands of dollar*
2012	874
2013	761
2014	782
2015	675
2016	603
Thereafter	891
	4,586
Less: Current portion	(874)
	3,712

ONTARIO CLEAN WATER AGENCY
December 31, 2011
Notes to Financial Statements

3. INVESTMENTS RECEIVABLE FOR WATER AND WASTERWATER FACILITIES (cont'd)

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at December 31, 2005. The loan agreement specified that repayment would be through sales of water, rather than according to a predetermined schedule. As of December 31, 2011, no principal or interest payments have been made. Currently, the pipeline and the payments of the outstanding loan is the subject of ongoing discussions amongst various levels of government. Given the significant uncertainty regarding future water sales, the Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment. The Agency ceased accruing interest revenue on January 1, 2006, the date the loan was classified as impaired, and has not recorded $9.5 million in interest accruing on the loan since then.

Other than as described in this note, there are no other provisions established for investment receivables.

4. FINANCIAL INSTRUMENTS

(a) Cash and Short-Term Investments

The Agency has $59.7 million invested in bank balances and GIC's as follows:

	(in thousands of dollars)
Bank Balances	20,610
GICs due within a year (Interest rates 2.11%-2.20%)	16,702
Cash and Short-Term Investments	37,312
GICs due within two years (Interest rates 2.35%-2.40%)	22,431
	59,743

The fair value of cash and short-term investment approximate carrying value.

(b) Credit Risk

The Agency is exposed to low credit risk because receivables are due from municipalities and payment is usually collected in full.

4. FINANCIAL INSTRUMENTS (cont'd)

(c) Cash Flow Risk

The Agency has extended a $120 million loan to Ontario Infrastructure and Land Corporation with a variable interest rate set at four basis points below the average monthly Canadian Dollar Offered Rate. It also has term deposits and bank balances that are sensitive to the prevailing interest rates. As a result, it is exposed to a cash flow risk related to the fluctuations in interest rates.

(d) Other

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

5. MUNICIPAL CONTRIBUTIONS PAYABLE

At December 31, 2011, the Agency held funds on behalf of the municipalities amounting to $0.3 million (2010 - $0.3 million). These funds are included in cash and short-term investments.

6. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Cost	Accumulated Amortization	**Net December 31, 2011**	Net December 31, 2010
Computer Software	5,838	4,814	**1,024**	553
Information Systems	3,653	1,402	**2,251**	1,280
Furniture and Fixtures	1,843	1,779	**64**	96
Automotive Equipment	3,998	1,816	**2,182**	2,188
Computer Hardware	10,289	8,999	**1,290**	1,067
Machinery and Equipment	1,014	738	**276**	224
Leasehold Improvements	6,787	6,779	**8**	25
	33,422	26,327	**7,095**	5,433

The Board has approved capital expenditures of up to $13.6 million from fiscal 2012 to 2018 to modernize its information technology infrastructure.

ONTARIO CLEAN WATER AGENCY
December 31, 2011
Notes to Financial Statements

7. LEASE COMMITMENTS

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

	(in thousands of dollars)
2012	1,660
2013	1,072
2014	810
2015	799
2016	759
Thereafter	2,525
	7,625

8. NET ASSETS

When the Agency was first established, the opening contributed surplus was received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

The adjustments to the opening balance relate to repairs and maintenance, legal costs and the write-off of provincial assistance advances that were agreed to prior to the establishment of the Agency. Any recoveries are also reflected in this account.

9. CONTINGENCIES

a) Litigation

The Agency is the defendant in a number of lawsuits. Most of these claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rises to the claim occurred and the nature of the claim. The outcome of the lawsuits cannot be determined at this time.

b) Letters of Credit

The Agency has a line of credit with the Royal Bank of Canada for $10 million and another line of Credit with BMO for $8 million. These lines of credit have been used to provide letters of credit of $6.9 million to municipalities in accordance with the terms of their operations and maintenance agreements. As of December 31, 2011, nothing has been drawn on the letters of credit.

ONTARIO CLEAN WATER AGENCY
December 31, 2011
Notes to Financial Statements

10. RELATED PARTY TRANSACTIONS

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits obligation have been estimated at $12.7 million (2010 - $12.6 million) of which $2.6 million (2010 - $3.0 million) has been classified as current liability. The amount charged to the income statement in 2011 was $1.6 million (2010 - $2.1 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of $2.1 million (2010 - $2.1 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2010.

It is management's opinion that the balance at December 31, 2011 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's annual payments of $3.5 million (2010 - $3.1 million), are included in salaries and benefits in the Statement of Operations and Changes in Net Assets.

ONTARIO CLEAN WATER AGENCY
December 31, 2011
Notes to Financial Statements

10. RELATED PARTY TRANSACTIONS (cont'd)

(c) Other

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

(i) The Agency received revenue of $2.6 million (2010 - $2.8 million) from the Ontario Realty Corporation for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $2.7 million (2010 - $2.2 million) from the Ministry of the Environment for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients. In addition, the Agency received $0.3 million (2010 - $0.3 million) for the Emergency Preparedness Funding.

(iii) The Agency received revenue of $0.6 million from the Ministry of the Northern Development and Mines for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(iv) The Agency has a $120 million loan receivable with Ontario Infrastructure and Land Corporation, as described in note 4 (c).

(v) The Agency relies on the Province to process its payroll and administer its benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

(vi) The Agency has a $1.0 million (2010 - $1.0 million) accounts payable to the Ministry of the Environment for rent proceeds it collects for a property, net of realty taxes paid, managed on behalf of the Ministry.

Province of Ontario Council for the Arts

Management's Responsibility for Financial Information

The accompanying financial statements of the Province of Ontario Council for the Arts (the OAC) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance and Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the OAC, and annually to review the audited financial statements and the external auditor's report thereon.

The financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility is to express an opinion on the financial statements. The Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Peter Caldwell
Director and CEO

Jim Grace

Jim Grace, CA, CMA
Director of Finance and Administration

June 26, 2012

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Province of Ontario Council for the Arts and to the Minister of Tourism and Culture

I have audited the accompanying financial statements of the Province of Ontario Council for the Arts, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2012 and March 31, 2011, and the statement of remeasurement gains and losses for the year ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Ontario Council for the Arts as at March 31, 2012, March 31, 2011 and April 1, 2010, and its results of operations, its changes in fund balances and its cash flows for the years ended March 31, 2012 and March 31, 2011, and its remeasurement gains and losses for the year ended March 31, 2012 in accordance with Canadian public sector accounting standards.

Peall

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
June 26, 2012

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PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Statements of Financial Position

March 31, 2012, March 31, 2011 and April 1, 2010

			March 31, 2012	March 31, 2011	April 1, 2010
	Operating fund	Restricted and endowment funds	Total	Total	Total
				(note 1(b)(iii))	(note 1(b)(iii))
Assets					
Current:					
Cash and cash equivalents	$ 4,671,538	$ –	$ 4,671,538	$ 5,304,734	$ 5,066,742
Accounts receivable (note 6)	116,667	–	116,667	79,691	16,665
Prepaid expenses	39,767	–	39,767	31,719	23,445
	4,827,972	–	4,827,972	5,416,144	5,106,852
Investments (notes 2(b) and 8)	520,151	21,069,921	21,590,072	21,754,467	20,681,478
Capital assets (note 3)	547,813	–	547,813	402,439	450,799
	$ 5,895,936	$ 21,069,921	$ 26,965,857	$ 27,573,050	$ 26,239,129
Liabilities and Fund Balances					
Current:					
Accounts payable and accrued liabilities	$ 1,121,157	$ –	$ 1,121,157	$ 745,998	$ 640,718
Current portion of employee future benefits (note 2(b))	218,222	–	218,222	200,878	171,970
	1,339,379	–	1,339,379	946,876	812,688
Employee future benefits (note 2(b))	325,247	–	325,247	379,220	372,157
Fund balances:					
Invested in capital assets	547,813	–	547,813	402,439	450,799
Restricted for endowment purposes (note 4)	–	70,311	70,311	70,311	70,311
Restricted	–	21,087,447	21,087,447	21,182,225	20,152,885
Unrestricted (note 10(b))	3,685,665	–	3,685,665	4,591,979	4,380,289
Accumulated changes in remeasurement losses	(2,168)	(87,837)	(90,005)	–	–
	4,231,310	21,069,921	25,301,231	26,246,954	25,054,284
Commitments (note 10)					
	$ 5,895,936	$ 21,069,921	$ 26,965,857	$ 27,573,050	$ 26,239,129

See accompanying notes to financial statements.

On behalf of the Board:

Martha Durdin Director

A. Maltese CA Director

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Statements of Operations and Changes in Fund Balances

Years ended March 31, 2012 and 2011

	Operating fund		Restricted and endowment funds		Total	
	2012	2011	2012	2011	2012	2011
			(Schedule 4)			
Income:						
General grant - Province of Ontario	$ 60,437,400	$ 60,437,400	$ –	$ –	$ 60,437,400	$ 60,437,400
Special grants:						
Province of Ontario Arts Investment Fund (note 5)	10,000,000	11,000,000	–	–	10,000,000	11,000,000
Cultural Development Fund	100,000	100,000	–	–	100,000	100,000
Ontario Canada/Ontario French Language Projects	165,500	54,000	–	–	165,500	54,000
Investment income	413,496	341,557	927,013	1,981,034	1,340,509	2,322,591
Fund administration fee (note 6)	55,580	51,471	–	–	55,580	51,471
Recovery of prior years' grants	70,583	48,511	–	–	70,583	48,511
Miscellaneous	37,937	36,726	–	–	37,937	36,726
Contributions	–	–	1,972	7,012	1,972	7,012
	71,280,496	72,069,665	928,985	1,988,046	72,209,481	74,057,711
Expenditures:						
Awards and expenses	–	–	1,028,838	963,239	1,028,838	963,239
Grants (Schedule 1)	53,674,942	53,216,996	–	–	53,674,942	53,216,996
Arts Investment Fund grants (note 6 and Schedule 2)	9,797,777	10,724,150	–	–	9,797,777	10,724,150
Administration (Schedule 3)	6,969,987	6,636,041	–	–	6,969,987	6,636,041
Services (Schedule 3)	1,593,655	1,324,615	–	–	1,593,655	1,324,615
	72,036,361	71,901,802	1,028,838	963,239	73,065,199	72,865,041
Excess of income over expenditures (expenditures over income)	(755,865)	167,863	(99,853)	1,024,807	(855,718)	1,192,670
Fund balances, beginning of year	4,994,418	4,908,375	21,252,536	20,223,196	26,246,954	25,131,571
Transitional adjustments (note 1(b))	–	(77,287)	–	–	–	(77,287)
Interfund transfers (Schedule 4)	(5,075)	(4,533)	5,075	4,533	–	–
Net remeasurement losses	(2,168)	–	(87,837)	–	(90,005)	–
Fund balances, end of year	$ 4,231,310	$ 4,994,418	$ 21,069,921	$ 21,252,536	$ 25,301,231	$ 26,246,954

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Statement of Remeasurement Gains and Losses

Year ended March 31, 2012

Accumulated remeasurement gains, beginning of year	$	–
Unrealized losses attributed to:		
Portfolio investments		(84,796)
Amount reclassified to the statements of operations:		
Portfolio investments		(5,209)
Net remeasurement losses for the year		(90,005)
Accumulated remeasurement losses, end of year	$	(90,005)

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Statements of Cash Flows

Years ended March 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of expenditures over income	$ (855,718)	$ 1,192,670
Items not involving cash:		
Gain on income distributions	(954,223)	(618,519)
Change in unrealized gains included in investment income (note 8)	–	(1,419,314)
Loss on sale of investments	5,209	11,625
Amortization of capital assets	205,420	193,559
Change in non-cash operating working capital:		
Accounts receivable	(36,976)	(63,026)
Prepaid expenses	(8,048)	(8,274)
Accounts payable and accrued liabilities	375,159	105,280
Employee future benefits	(36,629)	35,971
	(1,305,806)	(570,028)
Investing activities:		
Purchase of capital assets	(350,794)	(145,199)
Proceeds from sale of investments	1,023,404	953,219
	672,610	808,020
Increase (decrease) in cash and cash equivalents	(633,196)	237,992
Cash and cash equivalents, beginning of year	5,304,734	5,066,742
Cash and cash equivalents, end of year	$ 4,671,538	$ 5,304,734

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements

Years ended March 31, 2012 and 2011

The Province of Ontario Council for the Arts (the "OAC") was established in 1963 by the Government of Ontario to promote the development and enjoyment of the arts across the province. The OAC plays a leadership role in fostering excellence in the arts and making the arts accessible to all Ontarians. The OAC is a registered charity and is exempt from tax under the Income Tax Act (Canada).

On April 1, 2010, the OAC adopted Section PS4200, Accounting Standards for Government Not-for-Profit Organizations ("PSA"), included in the Canadian public sector accounting standards for government not-for-profit organizations. These are the first financial statements prepared in accordance with PSA.

In accordance with the transitional provisions in PSA, the OAC has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2010 and all comparative information provided has been presented by applying PSA.

A summary of transitional adjustments recorded to fund balances and excess of income over expenditures is provided in note 1(b).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with PSA.

The OAC follows the restricted fund method of accounting for contributions.

The OAC has elected not to consolidate controlled entities (note 7).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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1. **Significant accounting policies (continued):**

(b) Transitional adjustments:

(i) Fund balances:

The following table summarizes the impact of the transition to PSA on the OAC's fund balances as of April 1, 2010:

Fund balances:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2010	$ 25,131,571
Retroactive adjustments on employee future benefits	(77,287)
Restated, April 1, 2010	$ 25,054,284

(ii) Excess of income over expenditures:

As a result of the retrospective application of PSA and early adoption of PSA Section 3450, Financial Instruments (note 1(j)(i)), the OAC recorded the following adjustments to excess of income over expenditures for the year ended March 31, 2011:

Excess of income over expenditures:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2011	$ 1,215,084
Increase in employee future benefit expense	(22,414)
Restated for the year ended March 31, 2011	$ 1,192,670

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(iii) Detail of the Statements of financial position as at March 31, 2011:

	Operating fund	Restricted and endowment funds	Total
Assets			
Cash and cash equivalents	$ 5,304,734	$ –	$ 5,304,734
Accounts receivable	79,691	–	79,691
Prepaid expenses	31,719	–	31,719
	5,416,144	–	5,416,144
Investments	501,931	21,252,536	21,754,467
Capital assets	402,439	–	402,439
	$ 6,320,514	$ 21,252,536	$ 27,573,050
Liabilities and Fund Balances			
Accounts payable and accrued liabilities	$ 745,998	$ –	$ 745,998
Current portion of employee future benefits	200,878	–	200,878
	946,876	–	946,876
Employee future benefits	379,220	–	379,220
Fund balances:			
Invested in capital assets	402,439	–	402,439
Restricted for endowment purposes	–	70,311	70,311
Restricted		21,182,225	21,182,225
Unrestricted	4,591,979	–	4,591,979
	4,994,418	21,252,536	26,246,954
	$ 6,320,514	$ 21,252,536	$ 27,573,050

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

1. **Significant accounting policies (continued):**

Detail of the Statements of financial position as at April 1, 2010:

	Operating fund	Restricted and endowment funds	Total
Assets			
Cash and cash equivalents	$ 5,066,742	$ –	$ 5,066,742
Accounts receivable	16,665	–	16,665
Prepaid expenses	23,445	–	23,445
	5,106,852	–	5,106,852
Investments	458,282	20,223,196	20,681,478
Capital assets	450,799	–	450,799
	$ 6,015,933	$ 20,223,196	$ 26,239,129
Liabilities and Fund Balances			
Accounts payable and accrued liabilities	$ 640,718	$ –	$ 640,718
Current portion of employee future benefits	171,970	–	171,970
	812,688	–	812,688
Employee future benefits	372,157	–	372,157
Fund balances:			
Invested in capital assets	450,799	–	450,799
Restricted for endowment purposes	–	70,311	70,311
Restricted	–	20,152,885	20,152,885
Unrestricted	4,380,289	–	4,380,289
	4,831,088	20,223,196	25,054,284
	$ 6,015,933	$ 20,223,196	$ 26,239,129

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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1. Significant accounting policies (continued):

(c) Fund accounting:

Resources are classified for accounting and reporting purposes into funds that are held in accordance with their specified purposes.

The operating fund reports the publicly funded activities of the OAC funded mainly through a general grant from the Province of Ontario.

The restricted and endowment funds are internally restricted by the OAC or by the terms specified by the donors in their trust agreements.

Grant commitments to be paid in the future upon specific requirements being met are not included in the statements of financial position (note 10(b)).

(d) Cash and cash equivalents:

The OAC considers deposits in banks, guaranteed investment certificates and other instruments that are cashable or with original maturities of three months or less as cash and cash equivalents.

(e) Investment income:

Investment income comprised income (loss) earned (incurred) on pooled investments and bank balances.

Investment income (loss) earned (incurred) related to the operating fund is recognized based on the actual number of units held in the pooled investment set aside for the operating fund.

Investment income (loss) earned (incurred) on the pooled investments related to the restricted and endowment funds is recognized as income (losses) of the restricted and endowment funds.

(f) Employee benefits:

(i) The OAC follows PSA requirements for accounting for employee future benefits which include post-employment benefits payable upon termination. Under these requirements, the cost of the post-employment benefits paid upon termination is charged to operations annually as earned.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(ii) The OAC accrues for sick leave liabilities for amounts that accrue but not vested.

(g) Capital assets:

Capital assets are recorded at cost (purchase price). All capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Audio visual equipment	5 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvements	5 years

(h) Financial instruments:

Derivative financial instruments and portfolio investments in equity instruments, that are quoted on an active market and included on the statements of financial position, are measured at fair value upon inception.

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted closing prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Transaction costs related to financial instruments in the fair value category that are directly attributable to the acquisition of issue of the financial asset or financial liability are expensed as incurred. Transaction costs related to financial instruments in the cost or amortized cost category are added to the carrying value of the items when they are initially recognized.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the year. Actual results could differ from those estimates.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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1. **Significant accounting policies (continued):**

(j) Current accounting pronouncements:

(i) Financial instruments:

In March 2011, the Public Sector Accounting Board issued Section 3450. Under this standard, an entity is required to present a new statement for remeasurement losses separate from the statement of operations. The new statement reports unrealized losses arising from remeasurement of financial instruments and items denominated in foreign currencies, as well as any other comprehensive income reported by government business enterprises and partnerships and expanded disclosures on risk exposures on the entity. The combination of this new statement and the statement of operations account for all changes in assets and liabilities. The standard is applicable for fiscal year beginning on or after April 1, 2012. Early adoption is permitted. As at April 1, 2011, the OAC early adopted this standard and applied the measurement provision prospectively. The adoption of this standard resulted in the inclusion of the statement of remeasurement losses in the current year financial statements. The prior year financial statements, including comparative information have not been restated.

(ii) Foreign currency translation:

In June 2011, the Public Sector Accounting Board issued Section 2601, Foreign Currency Translations. The standard requires that all monetary items be translated at the exchange rate at the financial statement date, and that unrealized exchange gains and losses be presented in the statement of remeasurement losses. The standard is applicable for fiscal year beginning on or after April 1, 2012. Early adoption is permitted. As at April 1, 2011, the OAC early adopted this standard and applied the measurement provision prospectively. The adoption of this standard does not have any significant impact to the current year financial statements. The prior year financial statements, including comparative information have not been restated.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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2. Employee future benefits:

(a) Pension benefits:

The OAC's full-time employees participate in the Public Service Pension Fund ("PSPF"), which is a defined benefit pension plan for employees of the Province of Ontario and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the OAC's annual payments to the PSPF. Since the OAC is not a sponsor of the PSPF, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OAC, as the sponsor is responsible for ensuring that the PSPF is financially viable. The annual payments to the PSPF of $293,036 (2011 - $281,158) are included in salaries and benefits in Schedule 3.

(b) Non-pension benefits:

The cost of post-retirement non-pension employee benefits is paid by the Ministry of Government Services and is not included in the statement of operations and changes in fund balances.

The OAC also provides termination benefits earned by eligible employees. The amount of severance payments and unused vacation pay accrued at year end was $440,096 (2011 - $480,397), of which $114,849 (2011 - $101,177) has been classified as a current liability.

The OAC has set aside funds to meet these liabilities and invested these funds in the same pooled investments as the restricted and endowment funds. As at March 31, 2012, this investment has a market value of $520,151 (2011 - $501,931; 2010 - $458,282) and is shown under the operating fund as investments.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

3. Capital assets:

March 31, 2012	Cost	Accumulated amortization	Net book value
Audio visual equipment	$ 84,395	$ 51,469	$ 32,926
Computer hardware and software	668,024	546,352	121,672
Furniture and fixtures	105,024	55,711	49,313
Office equipment	67,508	41,988	25,520
Leasehold improvements	306,658	200,880	105,778
Assets under development	212,604	–	212,604
	$ 1,444,213	$ 896,400	$ 547,813

March 31, 2011	Cost	Accumulated amortization	Net book value
Audio visual equipment	$ 86,107	$ 51,250	$ 34,857
Computer hardware and software	673,101	498,066	175,035
Furniture and fixtures	120,787	68,309	52,478
Office equipment	64,722	44,356	20,366
Leasehold improvements	563,973	444,270	119,703
	$ 1,508,690	$ 1,106,251	$ 402,439

April 1, 2010	Cost	Accumulated amortization	Net book value
Audio visual equipment	$ 81,251	$ 37,872	$ 43,379
Computer hardware and software	596,877	411,615	185,262
Furniture and fixtures	98,573	53,424	45,149
Office equipment	70,019	47,023	22,996
Leasehold improvements	549,600	395,587	154,013
	$ 1,396,320	$ 945,521	$ 450,799

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

4. Fund balances restricted for endowment purposes:

	March 31, 2012	March 31, 2011	April 1, 2010
The Oskar Morawetz Memorial Fund	$ 26,000	$ 26,000	$ 26,000
Canadian Music Centre John Adaskin Memorial Fund	17,998	17,998	17,998
Dr. Heinz Unger Scholarship Fund	17,235	17,235	17,235
The Leslie Bell Scholarship Fund	9,078	9,078	9,078
	$ 70,311	$ 70,311	$ 70,311

5. Arts Investment Fund:

On September 23, 2010, the Government of Ontario announced a new three-year $27,000,000 Arts Investment Fund to be administered by the OAC to strengthen not-for-profit arts organizations receiving operating grants from the OAC. This fund will help the arts sector to grow, become more competitive, pursue programming and other activities to reach new audiences and boost revenue. The $27,000,000 is being paid out over three years as follows: $11,000,000 in 2010-11, $10,000,000 in 2011-12 and $6,000,000 in 2012-13.

Eligible arts organizations were required to execute transfer payment agreements and to submit proposals to receive funding.

During the year, the activities are summarized as follows:

Balance, beginning of year	$ 129,011
Cash received from the Province of Ontario	10,000,000
Interest income allocated to program	59,825
Grant payments (Schedule 2)	(9,797,777)
Administrative expense	(147,242)
Balance, end of year	$ 243,817

The OAC will complement the government's support with an additional $1,100,000 over three years for English and French language book and magazine publishers in Ontario. This group includes for-profit entities, and as such they are not eligible for the Arts Investment Fund. During the year, the grant payments totalled $393,393 (2011 - $434,420) (Schedule 1).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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6. Related party transactions:

Included in Schedule 3 are administration fees charged by the OAC for providing day-to-day administrative support and services to the restricted and endowment funds held by the OAC. As permitted in the respective agreements, the OAC has levied an administration fee, either on a fixed or percentage basis, on the funds held or on the annual investment income earned by the funds held by the OAC.

	2012	2011
Fund administration fee	$ 55,580	$ 51,471

During the year, the OAC allocated a portion of their monthly office rental fees and a portion of their general and administrative costs to the Ontario Arts Council Foundation (the "Foundation"). The Foundation is controlled by the OAC's Board of Directors through election of the Foundation's Board of Directors. General and administrative costs allocated amounted to $7,200 (2011 - $7,200) and total rent allocated amounted to $6,000 (2011 - $6,000).

The above transactions are in the normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

7. Ontario Arts Council Foundation:

The Foundation was incorporated under the Ontario Corporations Act on October 15, 1991 and is a registered charity under the Income Tax Act (Canada). The Foundation was established:

- to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom to charitable organizations which are also registered charities under the Income Tax Act (Canada);
- to provide through the OAC and other appropriate organizations for grants, scholarships or loans to persons in Ontario for study or research in the arts in Ontario or elsewhere or to persons in other provinces or territories of Canada or any other countries for study or research in the arts in Ontario; and
- to make awards to persons in Ontario for outstanding accomplishments in the arts.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

7. Ontario Arts Council Foundation (continued):

As defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board accounting recommendations for not-for-profit organizations, the OAC technically controls the Foundation in that the OAC's Board of Directors controls the election of the Foundation's Board of Directors.

The Foundation's financial statements have not been consolidated in the OAC's financial statements. There are no restrictions on the resources of the Foundation, nor are there significant differences from the accounting policies used by the OAC.

The majority of the fund balances, $48,443,030, represents the balances of the individual arts endowment funds held by the Foundation under the Arts Endowment Fund program of the Government of Ontario for a number of arts organizations. Under this program, money contributed and matched is held in perpetuity. The Board of Directors of the Foundation determines the amount of income that may be paid annually.

Audited financial statements of the Foundation are available upon request. Financial summaries of the Foundation, reported in accordance with Canadian generally accepted accounting principles, are as follows:

(a) Financial position:

	March 31, 2012	March 31, 2011	April 1, 2010
Assets			
Accounts receivable, net	$ –	$ –	$ 4,750
Cash, prepaid expenses and investments	56,695,160	55,473,844	53,039,566
	$ 56,695,160	$ 55,473,844	$ 53,044,316
Liabilities and Fund Balances			
Accounts payable and accrued liabilities	$ 32,349	$ 24,059	$ 50,510
Fund balances	56,662,811	55,449,785	52,993,806
	$ 56,695,160	$ 55,473,844	$ 53,044,316

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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7. Ontario Arts Council Foundation (continued):

(b) Changes in fund balances:

	2012	2011
Fund balances, beginning of year	$ 55,449,785	$ 52,993,806
Contributions received	1,674,298	585,695
Investment gain	2,056,945	5,105,601
Fund administration fee	274,704	214,366
Awards and expenses	(2,792,921)	(3,449,683)
Fund balances, end of year	$ 56,662,811	$ 55,449,785

8. Investments and investment income:

Net investment income comprises the following:

	2012	2011
Income distributions	$ 954,223	$ 618,519
Realized losses	(5,209)	(11,625)
Changes in unrealized gains	–	1,419,314
Bank interest	391,495	296,383
	$ 1,340,509	$ 2,322,591

The asset mix of the investments is as follows:

	2012	2011
Cash and cash equivalents	2%	2%
Fixed income securities	32%	33%
Canadian equities	21%	22%
Foreign equities, predominantly U.S.	45%	43%

The OAC currently holds $6,908,823 (cost - $6,928,107) (2011 - carrying value - $7,178,974, cost - $7,170,328) in fixed income securities that are exposed to interest rate price risk. The interest rates range from 0.50% to 11.00% (2011 - 0.50% to 11.00%) for the year ended March 31, 2012.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

9. Public sector salary disclosures:

Section 3(5) of the Public Sector Salary Disclosure Act (1996) requires disclosure of Ontario public-sector employees who were paid an annual salary in excess of $100,000 in the calendar year 2011. For the OAC, this disclosure is as follows:

Name	Title	Salary	Taxable benefits
Billyann Balay	Director of Granting Programs	$ 123,192	$ 186
John Brotman	Executive Director	169,141	255
Jim Grace	Director of Finance and Administration	123,192	186
Kirsten Gunter	Director of Communications	100,118	151
		$ 515,643	$ 778

10. Commitments:

(a) Lease commitments:

The OAC leases office premises and office equipment under operating leases. The future annual minimum lease payments are as follows:

2013	$ 225,552
2014	201,289
2015	159,944
	$ 586,785

(b) Grant commitments:

The OAC has approved grants of approximately $696,847 (2011 - $740,932) which will be paid in future years once the conditions of the grants have been met. These amounts are not reflected in the statement of operations and changes in fund balances.

11. Economic dependence:

The OAC is dependent on the Province of Ontario for the provision of funds to provide awards and grants and to cover the cost of operations.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Years ended March 31, 2012 and 2011

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12. Capital disclosures:

The OAC considers its capital to be its net assets in the operating fund. The OAC's objective when managing its capital is to safeguard its ability to continue as a going concern. Annual budgets are developed and monitored to ensure the OAC's capital is maintained at an appropriate level.

13. Financial instruments:

(a) Fair value:

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term to maturity of these financial instruments.

(b) Interest rate and foreign currency risk:

The OAC is exposed to interest rate and foreign currency risk arising from the possibility that changes in interest rates and foreign exchange rates will affect the value of fixed income and foreign currency-denominated investments. The OAC currently does not use any hedging strategies to mitigate the exposure.

(c) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the OAC to a risk of loss. The OAC uses two professional investment managers to advise on investment risks, asset selection and mix to achieve an appropriate balance between risks and returns. The Board of Directors of the OAC monitors investments decisions and results and meets regularly with the managers.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 1 - Grants

Years ended March 31, 2012 and 2011

	2012	2011
Organizations:		
Music	$ 10,039,095	$ 9,938,985
Theatre	9,477,883	9,521,082
Dance	5,623,870	5,611,069
Visual and media arts	5,456,040	5,408,376
Francophone arts	2,752,195	2,781,552
Community and multi-disciplinary	2,842,451	2,549,682
Literature	2,251,567	2,186,231
Touring	1,215,072	1,448,483
Arts service organizations	1,628,583	1,532,083
Arts education	1,287,871	1,222,115
Aboriginal arts	577,137	511,250
Compass (consulting, mentoring and technical assistance)	463,065	461,930
Publishers and periodicals* (note 5)	393,393	434,420
	44,008,222	43,607,258
Individuals:		
Visual and media arts	3,049,546	2,726,561
Literature	1,798,584	1,810,580
Community and multi-disciplinary	902,589	1,068,659
Arts education	834,854	920,670
Francophone arts	667,711	801,951
Music	764,940	786,000
Theatre	487,034	485,752
Aboriginal arts	419,473	448,750
Touring	582,260	414,065
Dance	120,249	99,800
Compass (consulting, mentoring and technical assistance)	39,480	46,950
	9,666,720	9,609,738
	$ 53,674,942	$ 53,216,996

*Incremental to the OAC funding for Literature, the $393,393 represents additional OAC support for publishers and periodicals (organizations that are not eligible through the Arts Investment Fund). See note 5 for full details.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 2 - Arts Investment Fund Grants

Years ended March 31, 2012 and 2011

	2012	2011
Organizations:		
Theatre	$ 3,448,247	$ 3,777,920
Music	2,292,365	2,534,502
Visual and media arts	1,433,954	1,555,085
Dance	1,024,563	1,124,984
Community and multi-disciplinary	743,789	794,111
Francophone arts	333,936	373,117
Arts service organizations	280,175	308,319
Arts education	178,042	200,840
Literature	62,706	55,272
	$ 9,797,777	$ 10,724,150

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 3 - Administration Expenses and Services

Years ended March 31, 2012 and 2011

	2012	2011
Administration expenses:		
Salaries and benefits (notes 2, 6 and 9)	$ 4,630,548	$ 4,492,284
Office rent and hydro (note 6)	479,160	472,432
Travel	463,543	410,437
Consulting and legal fees	430,804	325,916
Communications	309,581	329,707
Amortization	205,420	193,559
Personnel hiring and training	98,041	34,695
Miscellaneous	92,570	82,197
Meetings	73,935	58,671
Telephone, postage and delivery	65,286	86,500
Office supplies, printing and stationery	52,503	44,387
Maintenance and equipment rental	29,296	44,167
Computer maintenance and support	22,860	37,111
Program evaluation	16,440	23,978
	6,969,987	6,636,041
Services:		
Other programs	1,014,405	803,059
Jurors and advisors	454,250	467,556
Canada/Ontario French language projects	125,000	54,000
	1,593,655	1,324,615
	$ 8,563,642	$ 7,960,656

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 4 - Restricted and Endowment Funds

Years ended March 31, 2012 and 2011

2012	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment income	Awards and expenses paid	Fund balances, end of year
The Chalmers Family Fund	$ 17,803,120	$ –	$ –	$ 702,991	$ (960,287)	$ 17,545,824
The Venture Fund	2,833,730	–	–	111,904	(16,044)	2,929,590
The Oskar Morawetz Memorial Fund	236,732	–	–	9,341	(21,341)	224,732
The Leslie Bell Scholarship Fund	96,842	10	5,075	3,820	(564)	105,183
The Vida Peene Fund	101,577	1,962	–	4,000	(15,571)	91,968
Dr. Heinz Unger Scholarship Fund	82,880	–	–	3,263	(8,469)	77,674
The John Hirsch Memorial Fund	47,531	–	–	1,877	(5,270)	44,138
Canadian Music Centre John Adaskin Memorial Fund	28,192	–	–	1,114	(161)	29,145
Colleen Peterson Songwriting Fund	14,820	–	–	585	(1,087)	14,318
The Ruth Schwartz Fund	7,112	–	–	281	(44)	7,349
	$ 21,252,536	$ 1,972	$ 5,075	$ 839,176	$ (1,028,838)	$ 21,069,921

2011	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment income	Awards and expenses paid	Fund balances, end of year
The Chalmers Family Fund	$ 17,059,940	$ –	$ –	$ 1,669,438	$ (926,258)	$ 17,803,120
The Venture Fund	2,593,213	–	–	255,530	(15,013)	2,833,730
The Oskar Morawetz Memorial Fund	216,638	–	–	21,348	(1,254)	236,732
The Leslie Bell Scholarship Fund	94,894	1,365	4,533	9,256	(13,206)	96,842
The Vida Peene Fund	91,244	5,647	–	9,015	(4,329)	101,577
Dr. Heinz Unger Scholarship Fund	75,863	–	–	7,475	(458)	82,880
The John Hirsch Memorial Fund	43,499	–	–	4,283	(251)	47,531
Canadian Music Centre John Adaskin Memorial Fund	25,806	–	–	2,542	(156)	28,192
Colleen Peterson Songwriting Fund	14,675	–	–	1,430	(1,285)	14,820
The Ruth Schwartz Fund	7,424	–	–	717	(1,029)	7,112
	$ 20,223,196	$ 7,012	$ 4,533	$ 1,981,034	$ (963,239)	$ 21,252,536

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Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 26, 2012.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements. The Audit Committee of the Board meets periodically with management, Internal Audit, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Lisa de Wilde
Chief Executive Officer

2180 Yonge Street, Box 200, Station Q, Toronto ON, Canada M4T 2T1 t. 416.484.2600

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To The Ontario Educational Communications Authority
and to the Minister of Education

I have audited the accompanying financial statements of The Ontario Educational Communications Authority, which comprise the statement of financial position as at March 31, 2012, and the statement of operations, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Ontario Educational Communications Authority as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peall

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
June 26, 2012

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Financial Statements

Statement of Financial Position

As of March 31, 2012

($000s)	2012	2011
Assets		
Current Assets		
Cash and short-term investments (note 4)	17,470	14,913
Accounts receivable (note 4)	1,046	1,251
Prepaid expenses	844	750
Inventories	143	152
	19,503	**17,066**
Broadcast rights and production costs (note 8)	**16,550**	**15,820**
Accrued pension asset (note 5)	**1,887**	**2,126**
Investments held for Capital Renewal (note 6)	**6,566**	**5,596**
Net Capital Assets (note 7)	**15,805**	**16,857**
Total Assets	**60,311**	**57,465**
Liabilities And Equity		
Current Liabilities		
Accounts payable and accrued liabilities	9,453	8,966
Deferred revenue (note 9)	2,642	1,756
	12,095	**10,722**
Non-Current Liabilities		
Deferred capital contributions (note 10)	16,086	14,501
Employee future benefits (note 5)	10,349	9,622
Asset retirement obligation (note 7)	990	937
	27,425	**25,060**
Equity		
Invested in broadcast rights and production costs	16,497	15,668
Invested in capital assets	5,187	6,915
Restricted – Accrued pension asset	1,887	2,126
Unrestricted	(2,780)	(3,026)
	20,791	**21,683**
Total Liabilities and Equity	**60,311**	**57,465**

Commitments and Contingencies (notes 15 and 17)
See accompanying Notes to Financial Statements.

On behalf of the Board:

Chair

Director

Financial Statements

Statement of Operations

For the year ended March 31, 2012

($000s)	**2012**	**2011**
Revenues		
Government operating grants (note 11)	42,908	43,376
Independent Learning Centre (note 16)	12,143	11,040
Other earned revenue (note 13)	7,529	7,290
Government and corporate project funding (note 12)	105	534
Amortization of deferred capital contributions (note 10)	1,999	2,266
	64,684	**64,506**
Expenses		
Content and programming	24,352	25,949
Technical and production support services	13,219	12,883
Independent Learning Centre (note 16)	11,105	10,113
Management and general expenses	5,980	5,652
Cost of other earned revenue (note 13)	2,978	2,803
Amortization of capital assets and accretion expense	4,558	4,723
Employee future benefits (note 5)	3,384	2,274
	65,576	**64,397**
(Deficiency)/Excess of revenues over expenses	**(892)**	**109**

See accompanying Notes to Financial Statements

Financial Statements

Statement of Changes in Equity

For the year ended March 31, 2012

($000s)	**2012**					**2011**
	Invested in Broadcast Rights and Production Costs	**Invested in Capital Assets**	**Restricted Accrued Pension Asset**	**Unrestricted**	**Total**	**Total**
Balance, beginning of year	**15,668**	**6,915**	**2,126**	**(3,026)**	**21,683**	**21,574**
Excess/(deficiency) of revenues over expenses	(7,613)	(2,628)	(2,466)	11,815	(892)	109
Invested in assets during the year	8,442	900	-	(9,342)	-	-
Pension contributions	-	-	2,227	(2,227)	-	-
Balance, end of year	**16,497**	**5,187**	**1,887**	**(2,780)**	**20,791**	**21,683**

See accompanying Notes to Financial Statements

Financial Statements

Statement of Cash Flows

For the year ended March 31, 2012

($000s)	**2012**	**2011**
Operating Activities		
(Deficiency)/Excess of revenues over expenses	(892)	109
Add/(deduct) non-cash items:		
Amortization of capital assets	4,504	4,831
Accretion expense	54	(108)
Amortization of deferred capital contributions	(1,999)	(2,266)
Amortization of broadcast rights and production costs	7,711	9,151
Pension expense	239	(1,016)
Post-retirement benefits	727	749
Loss/(gain) on disposal of capital assets	70	(92)
Net changes in non-cash working capital:		
Accounts receivable	205	(345)
Inventories	9	(2)
Prepaid expenses	(94)	192
Deferred revenue	886	382
Accounts payable and accrued liabilities	487	866
Cash provided by operating activities	**11,907**	**12,451**
Investing and Financing Activities		
Broadcast rights additions	(8,442)	(7,809)
Capital asset additions	(3,522)	(1,971)
Current year's deferred capital contributions	2,614	811
Proceeds from disposal of capital assets	-	3
Cash used in investing and financing activities	**(9,350)**	**(8,966)**
Net increase in cash position during the year	**2,557**	**3,485**
Cash and short-term investments, beginning of year	**14,913**	**11,428**
Cash and short-term investments, end of year	**17,470**	**14,913**

See accompanying Notes to Financial Statements

Financial Statements

Notes to Financial Statements

March 31, 2012

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the "Authority") is a Crown Corporation of the Province of Ontario that was created in June 1970 by the Ontario Educational Communications Authority Act. In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields. The Authority is licenced by the Canadian Radio-television and Telecommunications Commission ("CRTC") to broadcast English-language educational television programs. The broadcasting licence is subject to renewal by the CRTC and the current licence is for the period September 1, 2008 to August 31, 2015.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Maintenance supplies and media tapes are valued at cost where cost is determined on a first-in-first-out basis, net of an allowance for obsolescence.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Capital Assets	
Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years

(d) Revenue Recognition

1. The Authority follows the deferral method of accounting for grants and contributions whereby restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Statements

2. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period of use as the related capital asset.
3. Revenue from the licensing of program material is recognized when the program material is delivered.
4. Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized when the contract is signed, except multi-year contributions that are recognized when the cash is received.
5. Revenue from sponsorship is recognized when the content is broadcast or webcast.
6. Student fees for courses offered by the Independent Learning Centre (ILC) are recognized as revenue at the time of enrolment. Registration fees for General Education Development (GED) are recognized at the time the test is taken by the registrants.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit pension plans and the related costs, net of plan assets. The following policies have been adopted:

1. The cost of pension benefits and other post retirement benefits is determined by independent actuaries based on management's best estimate assumptions using the projected benefits method prorated on service.
2. Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.
3. Actuarial gains (losses) are recognized to the extent that they exceed 10% of the greater of the accrued benefit obligation and the fair value of plan assets. Amounts recognized are amortized over the expected average remaining service period of active plan members.
4. The expected return on plan assets is based on the fair value of plan assets.

(f) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

- Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.
- All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over the following periods:
  - Program licence acquired: term of contract
  - Program produced by the Authority: four years

(g) Financial Instruments

The Authority's financial instruments consist of cash, short-term investments including those held for capital renewal, accounts receivable, and accounts payable and accrued liabilities. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories – available-for-sale, held-for-trading, held-to-maturity, loans and receivables, or other financial liabilities. The Authority classifies its financial assets and liabilities as follows:

- Cash and short-term investments, including those held for capital renewal, are classified as held-for-trading and are measured at fair value. It is management's opinion that their carrying amounts approximate fair value because the investments are not exposed to significant interest rate, liquidity, credit, or currency risks (note 4).
- Accounts receivable are classified as loans and receivables and, due to their short-term maturities, it is Management's opinion that their carrying amount approximates fair value.
- Accounts payable and accrued liabilities are classified as other financial liabilities and, due to their short-term maturities, it is Management's opinion that their carrying amount approximates fair value.

(h) Asset Retirement Obligation

The Authority recognizes a liability for future decommissioning of its transmitter and low power repeat transmitter ("LPRT") facilities.

(i) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. FUTURE ACCOUNTING CHANGES

The Public Sector Accounting Board (PSAB) has issued new accounting standards for government not-for-profit organizations. The Authority would be classified as a government not-for-profit (GNPO) as it meets the criteria to be a GNPO. PSAB will allow GNPOs to choose either the Public Sector Accounting (PSA) Handbook or the PSA Handbook supplemented by the inclusion of the 4200 series of standards (Sections PS 4200 to PS 4270) from the Canadian Institute of Chartered Accountants (CICA) Handbook –Accounting into the PSA Handbook. These standards are effective for the fiscal years commencing on or after January 1, 2012. The Authority will be selecting PSA plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending March 31, 2013. The Authority is assessing the impact on the financial statements.

4. CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS

Capital Disclosures

In managing capital, the Authority focuses on its liquid resources – cash, short-term investments, and investments held for capital renewal. The Authority's objectives are to have, at the minimum:

- Cash and short-term investments on hand sufficient to meet obligations that are due within the next 45 days.
- Capital renewal investments sufficient to meet approved expenditures from the capital renewal fund for the current fiscal year.

The Authority believes that these levels of liquid resources provide the flexibility to deal with any unexpected adverse developments and to take advantage of opportunities that may arise.

As at March 31, 2012 the Authority met these objectives.

The Authority does not take any significant risks in its investing activities. The Authority's Statement of Investment Policy and Procedures for Cash Balances stipulates that funds may only be invested in securities issued by or guaranteed as to principal and interest by any province of Canada or Canada or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies and whose credit rating is at a minimum equivalent to DBRS' R-1 (middle) on short-term debt and DBRS' AA on senior debt. The Authority is not subject to any externally imposed capital requirements.

Financial Statements

Cash and Short-term investments (including those held for capital renewal)

The Authority's investments consist of short-term, high-grade Canadian dollar instruments. Consequently, the Authority is not exposed to significant interest rate, liquidity, or credit risks.

Short-term investments including those held for capital renewal, mature within 365 days, and had an average yield of 1.9% (2011- 1.2%). U.S. dollar cash totalled $127,000(2011- $280,000) and was not large enough at any time during the year to expose the Authority to significant currency risks. These amounts were converted to Canadian dollars using an exchange rate of 0.97(2011 – 0.945).

Accounts receivable

Given the amount of Authority's accounts receivable and past experience regarding payments, management believes that the Authority is not exposed to significant credit risk. Accounts receivable consist of the following amounts:

($000s)	**2012**	**2011**
ILC earned revenue, donations, sales and licensing, tower rentals and transmitter maintenance fees	456	363
HST rebate	474	544
Private sector funding	11	7
Net receivable from OFECA	25	25
Others	80	312
	1,046	**1,251**

5. EMPLOYEE FUTURE BENEFITS

The pension and other post-employment benefit plans have the following components:

(a) Registered pension plans:

- Main Pension Plan - Most employees of the Authority are members of this plan, which consists of three elements – a non-contributory, defined benefit, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.
- Executive Pension Plan – Executives are members of this non-contributory, defined benefit, best average earnings and years of service plan.

(b) Supplementary retirement plan:

- Certain employees are members of this unregistered and non-contributory plan which funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the federal Income Tax Act.

The pensions payable under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

(c) Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation for funding purposes of the registered defined benefit pension plans was as of January 1, 2011, and the next valuation for funding purposes is no later than January 1, 2014.

Financial Statements

Information about the Authority's pension and other benefit plans is presented in the following table.

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
($000s)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Plan surplus/(deficit) as of January 1:						
Accrued benefit obligation	(108,705)	(96,387)	(775)	(553)	(13,117)	(11,161)
Fair value of plan assets	79,253	82,571	-	-	-	-
	(29,452)	(13,816)	(775)	(553)	(13,117)	(11,161)
Balance of unamortized amounts as of January 1:						
Net transition (asset)/obligation	(2,355)	(3,189)	-	-	415	553
Past service cost	295	398	39	64	-	-
Actuarial (gains)/losses	32,880	18,122	237	181	2,285	942
Contributions – Jan 1 to Mar 31	519	611	-	-	68	44
Accrued pension asset/(liability)	**1,887**	**2,126**	**(499)**	**(308)**	**(10,349)**	**(9,622)**

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
($000s)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Disclosed in the Statement of Financial Position as:						
Accrued pension asset	1,887	2,126		-		-
Accounts payable and accrued liabilities	-	-	(499)	(308)	-	-
Employee future benefits	-	-	-	-	(10,349)	(9,622)
Expenses for the year:						
Defined benefit plan	2,466	1,380	183	137	727	749
Defined contribution plan*	405	392	8	8	-	-
Payments made by the Authority						
Benefit plan premiums	-	-	-	-	291	175
Pension plan contributions*	2,632	2,788	-	-	-	-
Termination benefits paid	-	-	-	-	-	-
Payments made from all the plans as of January 1:						
Pension benefits paid	4,145	4,014	-	-	-	-
Termination benefits paid	1,376	1,338	-	-	-	-

*As a result of the January 1, 2011 actuarial valuation, additional contributions were made to the defined benefit plans. Total pension contributions to the Employee Plan and the Executive Plan of the Defined Benefit part was $2,227,000(2011 - $2,396,000). Total cash contributions of $405,000(2011- $392,000)to the Defined Contribution part of the registered plans were expensed and allocated to major functional groups.

Financial Statements

The significant assumptions adopted in measuring the accrued benefit obligations and pension expenses are as follows:

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Discount rate to determine the accrued benefit obligation	4.30%	5.20%	4.30%	5.20%	4.30%	5.20%
Discount rate to determine the benefit cost	5.20%	6.30%	5.20%	6.30%	5.20%	6.30%
Investment return	6.50%	6.50%	N/A	N/A	N/A	N/A
Pension indexation	2.50%	2.50%	2.50%	2.50%	N/A	N/A
Salary rate increase	3.50%	3.50%	3.50%	3.50%	N/A	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	7.00%	7.50%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Average remaining service lifetime	11-12	11-13	10	11	13	13

The health cost rate increase assumption is expected to decrease to 5% by 2016.

Defined benefit plan assets as at January 1 measurement date consisted of:

	Percentage of Total Fair Value of Plan Assets	
	2012	**2011**
Asset category		
Equity securities	56%	56%
Debt securities	39%	39%
Real estate fund	5%	5%

6. INVESTMENTS HELD FOR CAPITAL RENEWAL

To ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed, the Capital Renewal Fund was established in 1984. Up to fiscal 2008/09, the Authority had been setting aside up to 2% of the funding received as contribution to the Capital Renewal Fund. Available funds are invested in short-term deposits that earned an average interest rate of 1.8% (2011–1.1%) during the fiscal year. The changes in the fund are as follows:

($000s)	**2012**	**2011**
Balance, beginning of year	5,596	5,692
Digital Over The Air project funding – Ministry of Education	880	655
Master Control Rebuild project expenses – Ministry of Education	-	(268)
Digital Conversion project expenses – Ministry of Education	-	(538)
Interest earned	90	55
	6,566	**5,596**

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7. NET CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION

Capital assets consist of the following:

			2012	2011
($000s)	**Cost**	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Land	186	-	186	186
Buildings	4,816	4,138	678	786
Transmitters	22,877	19,890	2,987	1,520
Transmitter monitoring equipment	5,520	4,586	934	218
In house technical equipment	29,825	22,930	6,895	8,363
Leasehold improvements	8,490	7,835	655	1,607
Computer equipment	8,531	6,310	2,221	2,774
Office furniture and fixtures	1,890	870	1,020	1,130
Office equipment	975	890	85	106
Vehicles	636	492	144	167
	83,746	**67,941**	**15,805**	**16,857**

Asset Retirement Obligation

The Authority recognized a liability for future decommissioning of its transmitter and low power repeat transmitter (LPRT) facilities. All LPRTs are situated on leased premises and, as these lease contracts may not be renewed, the Authority will recognize the full decommissioning expense by the end of the leases. In determining the fair value of its asset retirement obligations, the Authority discounted the associated cash flows at credit-adjusted risk free rates. The total undiscounted amount of the estimated future obligations is $990,000(2011 - $992,000).

($000s)	**2012**	**2011**
Opening balance	937	1,136
Accretion expense	54	(108)
Retirement of LPRTs	(1)	(91)
Closing balance	**990**	**937**

8. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

			2012	2011
($000s)	**Cost**	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Broadcast rights and completed productions	36,752	22,790	13,962	13,878
Work in progress	2,588	-	2,588	1,942
	39,340	**22,790**	**16,550**	**15,820**

Amortization expense for the year was $7,711,000 (2011 - $9,151,000) and is included in Content and Programming expense.

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9. DEFERRED REVENUE

($000s)	**2012**	**2011**
ILC - MED grant and provincial project funding (note 16)	2,319	1,099
Transmitter tower rental and maintenance	146	218
Sponsorship revenue	63	202
Corporate project funding (note 12)	53	152
Other	61	85
	2,642	**1,756**

Expenditures related to the above deferrals have been budgeted for the 2013 fiscal year.

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue (amortization of deferred capital contributions) in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

($000s)	**2012**	**2011**
Deferred capital contributions, beginning of year	**14,501**	**16,052**
Capital assets funded by Ministry of Education grant		
Master Control Rebuild and Digital Conversion projects	-	572
Digital Over The Air project	2,614	239
Project funding deferred to next year		
Digital Over The Air project (note 12)	1,535	655
Project funding deferred from prior year	(655)	(806)
Interest earned	90	55
Amortization of deferred capital contributions to revenue	(1,999)	(2,266)
Deferred capital contributions, end of year	**16,086**	**14,501**

The Canadian Radio-television and Telecommunications Commission (CRTC) required local television stations in certain areas to stop broadcasting in analog and start broadcasting in digital by August 31, 2011. As shown in note 12, the Authority received a $1 million grant from the Ministry of Education in 2011 to initiate the process of converting TVO transmitters located in Kitchener, London, Ottawa, Thunder Bay, Toronto, Windsor, Cloyne, Belleville, and Chatham into digital. An additional $3.5 million grant was received in 2012 to complete the process. As part of this process, the Authority will decommission the remaining 14 medium/high power analog transmitters and will cease transmission at these sites on July 31, 2012.

11. GOVERNMENT OPERATING GRANTS

($000s)	**2012**	**2011**
Provincial		
Ministry of Education		
Base grant	41,308	41,776
Capital maintenance grant	1,600	1,600
	42,908	**43,376**

Financial Statements

12. GOVERNMENT AND CORPORATE PROJECT FUNDING

($000s)	**2012**	**2011**
Provincial project funding		
Ministry of Education		
Digital Over The Air	3,500	1,000
Funding deferred to future year (note 10)	(1,535)	(655)
Deferred capital contributions	(1,959)	(4)
	6	**341**
Corporate project funding		
Funding received during the year	-	7
Funding deferred from prior year (note 9)	152	338
Funding deferred to future year (note 9)	(53)	(152)
	99	**193**
Total government and corporate project funding	**105**	**534**

13. OTHER EARNED REVENUE AND COST

($000s)			**2012**			**2011**
	Revenue	**Cost**	**Net Revenue**	**Revenue**	**Cost**	**Net Revenue**
Individual and corporate donations	4,838	2,946	1,892	4,873	2,672	2,201
Revenue from OFECA (note 18)	70	-	70	68	-	68
Tower rental and transmitter maintenance	1,496	-	1,496	1,532	-	1,532
Interest income and foreign exchange gain and loss	563	-	563	241	-	241
Sales and Licensing	299	32	267	314	131	183
Property tax rebate program for charities	252	-	252	255	-	255
Asset disposal	-	-	-	3	-	3
Others	11	-	11	4	-	4
	7,529	**2,978**	**4,551**	**7,290**	**2,803**	**4,487**

14. EXPENSES

a) Allocated Expenses

The Authority allocates certain general expenses to major activities on the following bases:

Building cost – based on floor area occupied by the activity
Cost of mailing, shipping and printing – based on usage

Total general expenses allocated to major functional groups are as follows:

($000s)	**2012**	**2011**
Content and programming	1,538	1,476
Technical and production support services	860	787
Independent Learning Centre	630	629
Management and general	631	618
Cost of other earned revenue	98	94
	3,757	**3,604**

b) Expenses by Type

The Statement of Operations reports on expenses by activity. Expenses by type during the fiscal year are as follows:

($000s)	**2012**	**2011**
Salaries and wages	29,170	28,260
Employee benefits	5,128	5,376
Employee future benefits	3,384	2,274
Licences and other	6,718	8,451
Facilities	5,082	4,892
Transportation & Communication	2,613	2,323
Other services	6,821	6,893
Supplies and equipment	2,102	1,205
Amortization of capital assets and accretion expense	4,558	4,723
	65,576	**64,397**

15. COMMITMENTS

The Authority has entered into operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31($000s)	**Head Office Space**	**Others**	**Total**
2013	1,323	1,120	2,443
2014	1,373	955	2,328
2015	1,362	912	2,274
2016	1,307	639	1,946
2017	1,307	337	1,644
2018 and beyond	14,774	204	14,978
	21,446	**4,167**	**25,613**

The lease of head office space expires on August 31, 2027

Financial Statements

16. THE INDEPENDENT LEARNING CENTRE

Under the terms of an agreement with the Ministry of Education and the Ministry of Training, Colleges and Universities, the Independent Learning Centre (ILC) was transferred to the Authority in 2002.

The ILC provides a wide range of distance education courses, in English and in French that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day school programs. The General Education Development (GED) testing is also available through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC earned revenues. The portion of the grant that has been identified for specific projects is deferred until the related expenses have been incurred.

($000s)	**2012**	**2011**
Activities were funded by:		
Ministry of Education ILC grant	6,421	6,421
Homework Help project	4,000	2,320
Funding deferred from prior year (note 9)	1,099	406
Funding deferred to future year (note 9)	(2,319)	(1,099)
ILC grant and project funding recognized	**9,201**	**8,048**
ILC earned revenues	2,942	2,992
Total ILC grant, project funding and earned revenue	**12,143**	**11,040**
Expenses during the year:		
Salaries and benefits	7,738	7,293
Transportation and communication	442	602
Services	1,876	1,095
Allocated general expenses (note 14)	630	629
Licences	264	293
Supplies, equipment and others	155	201
Total ILC expenses	**11,105**	**10,113**
ILC contribution to overhead	**1,038**	**927**

Direct expenses related to the funding deferred to future year have been budgeted for the 2013 fiscal year.

17. CONTINGENCIES

Contingencies refer to possible legal claims that have been made by or against the Authority, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the Authority will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made by the Authority. Any settlements will be accounted for at the time of settlement.

Financial Statements

18. RELATED PARTY TRANSACTIONS

The Authority is a Crown Corporation of the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. During 2012, the Authority received revenue for transmitter maintenance services and expense reimbursements from the Ontario French-language Educational Communications Authority (OFECA). In addition to its transactions with the OFECA, the Authority received sponsorship revenue from other related parties and revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

Non-grant revenue received from related parties during the year are as follows:

($000s)	**2012**	**2011**
School boards	1,127	1,099
Provincial ministries	-	124
OFECA (note 13)	70	68
Others	135	165
	1,332	**1,456**

In addition, OFECA reimbursed $89,000 (2011 - $73,000) to the Authority for satellite telecommunication, utilities and other charges. Amounts receivable from OFECA as of March 31, 2012 totalled $25,000(2011 - $25,000).

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Responsibility for Financial Reporting

The accompanying financial statements of OEFC have been prepared in accordance with Canadian public sector accounting standards and are management's responsibility. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 21, 2012.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board.

The Board is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. The Audit Committee periodically meets with management, the internal auditors and the external auditors to deal with issues raised by them, and to review the financial statements before recommending Board approval.

The financial statements have been audited by the Auditor General of Ontario (the Auditor). The Auditor's responsibility is to express an opinion on whether OEFC's financial statements fairly present OEFC's financial position in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of management:

Gadi May

Gadi Mayman
Vice-Chair and Chief Executive Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

**To the Ontario Electricity Financial Corporation
and to the Minister of Finance**

I have audited the accompanying financial statements of the Ontario Electricity Financial Corporation, which comprises the statement of financial position as at March 31, 2012, and the statements of revenue, expense and unfunded liability and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Electricity Financial Corporation as at March 31, 2012 and the results of its operations, and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Canada
June 21, 2012

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

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Ontario Electricity Financial Corporation
Statement of Financial Position
As at March 31, 2012 ($ millions)

	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	$ 118	$ 1
Accounts receivable	366	460
Interest receivable	29	26
Current portion of notes receivable (Note 6)	235	188
	748	675
Payments-in-lieu of tax receivable (Note 10)	227	142
Due from Province of Ontario (Note 5)	2,750	2,255
Notes and loans receivable (Note 6)	12,882	12,743
Deferred debt costs	-	35
	$ 16,607	$ 15,850
LIABILITIES		
Current Liabilities		
Accounts payable	$ 295	$ 215
Interest payable	474	430
Short-term debt (Note 7)	1,181	1,174
Current portion of long-term debt (Note 7)	1,683	547
	3,633	2,366
Long-term debt (Note 7)	24,056	25,413
Power purchase contracts (Note 9)	1,202	1,519
Deferred debt costs	37	–
	28,928	29,298
Contingencies and guarantees (Note 11)		–
UNFUNDED LIABILITY (Notes 1, 3, 10)	(12,321)	(13,448)
	$ 16,607	$ 15,850

Approved on behalf of the Board:

Steve Orsini
Chair

Gadi Mayman
Vice-Chair and Chief Executive Officer

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Statement of Revenue, Expense and Unfunded Liability

For the year ended March 31, 2012 ($ millions)

	2012	2011
REVENUE		
Debt retirement charge (Notes 1, 10)	$ 952	$ 944
Payments-in-lieu of tax (Notes 1, 10)	367	321
Interest	742	742
Power supply contract recoveries (Note 9)	1,372	1,288
Net reduction of power purchase contracts (Note 9)	317	339
Electricity sector dedicated income (Notes 5, 10)	495	771
Other	9	8
Total revenue	$ 4,254	$ 4,413
EXPENSE		
Interest - short-term debt	$ 13	$ 13
- long-term debt	1,579	1,581
Amortization of deferred charges	18	26
Power supply contract costs (Note 9)	1,375	1,288
Debt guarantee fee	136	137
Operating	6	6
Total expense	3,127	3,051
Excess of revenue over expense	1,127	1,362
Unfunded liability, beginning of year	13,448	14,810
Unfunded liability, end of year	$ 12,321	$ 13,448

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Statement of Cash Flow

For the year ended March 31, 2012 ($ millions)

	2012	2011
CASH FLOWS USED IN OPERATING ACTIVITIES		
Excess of revenue over expense	$ 1,127	$ 1,362
Adjustments for:		
Payments-in-lieu of tax (Notes 1, 10)	(85)	241
Net reduction of power purchase contracts (Note 9)	(317)	(339)
Electricity sector dedicated income (Notes 5, 10)	(495)	(771)
Amortization of deferred charges	18	26
Other items	356	(129)
Cash provided from operations	$ 604	$ 390
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issues	$ 236	$ 1,028
Less long-term debt retired	547	1,253
Long-term debt (retired), net	(311)	(225)
Short-term debt issued (retired), net	7	(27)
Notes receivable advance	(183)	(145)
Cash (required by) financing activities	(487)	(397)
Increase (decrease) in cash and cash equivalents	117	(7)
Cash and cash equivalents, beginning of year	1	8
Cash and cash equivalents, end of year	$ 118	$ 1
Interest on debt paid during the year and included in excess of revenue over expense	$ 1,548	$ 1,610

See accompanying notes to financial statements.

Notes to Financial Statements

1) Electricity Sector Reform

Effective April 1, 1999, pursuant to the *Electricity Act, 1998* (the Act), Ontario Hydro was continued as a corporation without share capital under the name "Ontario Electricity Financial Corporation" (OEFC). It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

OEFC is a Crown agency whose objects include managing the former Ontario Hydro's non-utility generator (NUG) contracts; providing financial assistance to the successor corporations of Ontario Hydro; entering into financial and other agreements relating to the supply of electricity in Ontario; and managing the debt and administering the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities.

These other successor entities include:

- Ontario Power Generation (OPG), an electricity generation company;
- Hydro One, a regulated electricity transmission and distribution company;
- Independent Electricity System Operator (IESO), the regulated centralized independent system coordinator responsible for directing system operations and operating the electricity market; and
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG and Hydro One (and their subsidiaries) and the IESO for $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. On the same day, the Province of Ontario (the Province) exchanged equity of $5.1 billion and $3.8 billion in OPG and Hydro One respectively for debt payable to OEFC.

The opening stranded debt of $20.9 billion at April 1, 1999 was composed of $38.1 billion in liabilities assumed from the former Ontario Hydro less the value of assets transferred to OEFC at April 1, 1999, including $17.2 billion in notes receivable. After receipt of $1.5 billion in loans receivable and other assets, the opening unfunded liability stood at $19.4 billion. As at April 1, 1999, the present value of future payments-in-lieu (PIL) of taxes and electricity sector dedicated income was estimated at $13.1 billion. Subtracting the $13.1 billion from stranded debt of $20.9 billion resulted in a difference of $7.8 billion, known as residual stranded debt.

The OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities, and from dedicated electricity revenues in the form of PIL of corporate income, capital and property taxes made under the Act by the successor entities and municipal electric utilities. OEFC also receives the Debt Retirement Charge (DRC) paid by electricity consumers at a rate of 0.7 cents/kWh until the residual stranded debt is retired. The Ontario Financing Authority (OFA), an agency of the Province responsible for borrowing and investing monies for the Province and other public bodies, provides day-to-day management services to OEFC.

On December 9, 2004, the *Electricity Restructuring Act, 2004* was passed, resulting in a combination of a fully regulated and competitive electricity sector with different generators receiving prices set through a variety of mechanisms. Electricity generated from OPG's nuclear and baseload hydro generation assets receive regulated prices, electricity from those generators with existing or new contracts receive prices as determined by their contracts, while other generation receives prices set in the electricity spot market. Consumers pay a blend of these costs including the pass-through of regulated prices for OPG's regulated plants, the full costs for existing and new contracts for generation and market prices for other generation facilities. The Act also created the Ontario Power Authority (OPA) to ensure an adequate long-term supply of electricity.

2) Summary of Significant Accounting Policies

Basis of Accounting

As OEFC is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

Net Debt Presentation

The statement of changes in net debt is not presented since this information is readily apparent.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the valuation of the power purchase contracts and payments-in-lieu of tax revenue and tax receivable. Estimates are based on the best information available at the time of preparation of the financial statements.

Deferred Debt Costs

Deferred Debt Costs include the unamortized amounts related to any foreign exchange gains or losses resulting from the translation of long-term debt issued in foreign currencies; discounts, premiums or commissions arising from the issuance of debt or the acquisition of debt prior to maturity; and fees and other costs relating to swaps and other debt related derivatives. These costs are amortized to operations over the life of the underlying debt.

Revenue Recognition

Revenues are recognized in the period in which they are earned.

Foreign Currency Translation

Debt is composed of short, medium and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and, in accordance with Canadian public sector accounting standards, any exchange gains or losses are deferred and amortized over the remaining term to maturity.

Power Purchase Contracts

The liability for power purchase contracts was originally calculated by discounting estimated losses over the life of the contracts. Under the *Electricity Restructuring Act, 2004*, OEFC began receiving actual contract prices for power from electricity consumers, effective January 1, 2005, and no longer incurs losses on these power purchase contracts. At that time, the Ministry of Finance estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire.

Future Change in Accounting Policies

Effective April 1, 2012, OEFC will be required to adopt new accounting standards issued by the Public Sector Accounting Board of the CICA. Changes due to the new standards, Section 2601, Foreign Currency Translation and Section 3450, Financial Instruments will be applied prospectively.

3) Going Concern

OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable. It is also dependent on the government's long-term plan to defease the unfunded liability described in Note 10.

4) Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments recorded at cost, which approximates current market value.

5) Due from the Province

The Province has committed to dedicate the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC. Under these arrangements, the Province can recoup all costs associated with its investments in electricity subsidiaries on a cumulative basis before any income can be recognized by OEFC. For the year ended March 31, 2012, OPG and Hydro One earned an aggregate amount of $1,015 million (2011 – $ 1,291 million). After deducting the Province's $520 million interest cost of its investment in these subsidiaries, there remains an amount of electricity sector dedicated income of $495 million (2011 – $771 million).

6) Notes and Loans Receivable

($ millions)	Maturity Date	Interest Rate	Interest Payable	March 31, 2012	March 31, 2011
The Province	2039–2041	5.85	Monthly	$ 8,885	$ 8,885
OPG	2012–2042	3.24 to 6.33	Semi-Annually	4,015	3,868
IESO	2013	Variable/2.25	Monthly/ Semi-Annually	113	78
				13,013	12,831
Less: Current portion of notes receivable				235	188
				12,778	12,643
Add: Loans receivable from NUGs				104	100
				$ 12,882	**$ 12,743**

OEFC has agreed with OPG and the IESO not to sell notes owing from these successor entities without their prior approval.

OEFC has agreed to provide OPG financing for new generation project development in the form of 10-year and 30-year notes on commercial terms and conditions. These agreements provide for up to $1.6 billion in loans for the Niagara tunnel project and up to $700 million in support of OPG's investment in the Lower Mattagami project. Under these agreements, $915 million has been advanced for the Niagara Tunnel project and there are no outstanding borrowings for the Lower Mattagami project.

OEFC agreed to provide to OPG a $375 million line of credit to finance existing maturities, expiring on December 31, 2011. Under this agreement, $300 million was advanced.

Subsequent to the year-end, OEFC agreed to provide to OPG a refinancing facility for up to $400 million to finance notes maturing with OEFC on April 30, 2012. Under this agreement, $200 million has been advanced.

Set out below is a summary by year of maturity of OPG's debt to OEFC:

Fiscal Year	Amount ($ millions)
2012–13	200
2014–15	300
2015–16	200
2016–17	320
2017–18	1,125
2018–19	260
2019–20	505
2020–21	420
2021–22	185
2040–41	150
2041–42	350
Total	**$ 4,015**

In May 2011, OEFC refinanced a loan to the IESO for $78.2 million for a term of 2 years.

In October 2011, OEFC increased its revolving credit facility to the IESO from $60 million to $110 million. The credit facility, expiring on May 1, 2013, bears interest at a floating rate equal to the Province's cost of borrowing for a 30 day term plus 25 basis points for advances up to $60 million and an additional 25 basis points for advances in excess of $60 million. The facility will be used for liquidity purposes and to temporarily fund corporate requirements. At March 31, 2012, IESO had drawn $35 million on the credit facility.

Loans receivable from NUGs increased during the year by $4 million to $104 million (2011 – $100 million), primarily due to interest, which has been added to the principal balance.

7) Debt

Debt at March 31, 2012, is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

($ millions) Currency	Canadian Dollars	U.S. Dollars	Other Foreign	2012 Total	2011 Total
Maturing in:					
1 year	$ 1,981	$ 765	$ 118	$ 2,864	$1,721
2 years	3,514	1,032	370	4,916	2,660
3 years	2,133	553		2,686	3,904
4 years	1,950		83	2,033	2,686
5 years	2,493		487	2,980	2,033
1–5 years	12,071	2,350	1,058	15,479	13,004
6–10 years	5,451	73	339	5,863	6,983
11–15 years	2,967	–	–	2,967	3,687
16–20 years	1,041	–	–	1,041	1,191
21–25 years	788	–	–	788	850
26–50 years	782	–	–	782	1,419
Total	**$ 23,100**	**$ 2,423**	**$ 1,397**	**$ 26,920**	**$ 27,134**

The effective rate of interest on the debt portfolio was 5.86 per cent after considering the effect of derivative instruments used to manage interest rate risk (2011 – 5.87 per cent). The longest term to maturity is to June 2, 2041. Total foreign currency denominated debt at March 31, 2012 was $3.8 billion, 100 per cent of which was fully hedged to Canadian funds (2011 – $3.8 billion or 100 per cent). Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

	March 31, 2012			**March 31, 2011**		
($ millions)	**Held by the Province**	**Guaranteed by the Province**	**Total**	**Held by the Province**	**Guaranteed by the Province**	**Total**
Short-term debt	$ 1,181	–	$ 1,181	$ 1,174	–	$ 1,174
Current portion of long-term debt	1,683	–	1,683	547	–	547
Long-term debt	16,122	$ 7,934	24,056	17,479	$ 7,934	25,413
Total	**$ 18,986**	**$ 7,934**	**$ 26,920**	**$ 19,200**	**$ 7,934**	**$ 27,134**

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt at March 31, 2012 was $32.2 billion (2011 – $31.2 billion). This is higher than the book value of $26.9 billion (2011 – $27.1 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

8) Risk Management and Derivative Financial Instruments

OEFC employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used including the use of derivative financial instruments ("derivatives"). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, derivative contracts are used to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency debt principal, net of foreign currency holding, to reach a maximum of 5 per cent of total debt. At March 31, 2012, the actual unhedged level was 0.0 per cent of total debt (2011 – 0.0 per cent).

Net interest rate resetting risk is the exposure to changes in interest rates. Exposure to rate changes is reduced by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt and fixed rate debt maturing within the next 12 months, net of liquid reserves, to reach a maximum of 35 per cent of total debt.

At March 31, 2012, net interest rate resetting risk as a percentage of total debt was 13.2 per cent (2011 – 13.7 per cent).

Liquidity risk is the risk OEFC will not be able to meet its current short-term financial obligations. As explained in Note 3, OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2012, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value

As at March 31, 2012 ($ millions)

Maturity in years Fiscal year	2013	2014	2015	2016	2017	6–10 Years	Over 10 Years	Total	March 2011
Cross-currency swaps	$ 978	$ 1,786	$ 553	$ 83	$ 693	$ 529	$ –	$ 4,622	$ 4,868
Interest rate swaps	398	1,145	2,409	216	1,123	650	653	6,594	5,871
Forward foreign exchange contracts	791	–	–	–	–	–	–	791	147
Total	**$ 2,167**	**$ 2,931**	**$ 2,962**	**$ 299**	**$ 1,816**	**$ 1,179**	**$ 653**	**$ 12,007**	**$ 10,886**

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2012.

Credit Risk Exposure ($ millions)	**March 31, 2012**	**March 31, 2011**
Gross credit risk exposure	$ 440	$ 472
Less: Netting	(440)	(472)
Net credit risk exposure	**$ 0**	**$ 0**

OEFC manages its credit risk exposure from derivatives by, among other ways, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, OEFC enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross credit risk exposure represents the loss OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions

9) Power Supply Contracts

Power supply contracts include both power purchase contracts and power supply support agreements. Power purchase contracts and related loan agreements were entered into by the former Ontario Hydro with NUGs located in Ontario. As the legal continuation of the former Ontario Hydro, OEFC is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provide for the purchase of power at prices in excess of future market price.

Accordingly, a liability was recorded at $4,286 million on a discounted cash-flow (DCF) basis when the former Ontario Hydro was continued as OEFC on April 1, 1999.

Under legislated reforms to the electricity market, OEFC began receiving actual contract prices for power from ratepayers effective January 1, 2005, and no longer incurs losses on these contracts. At that time, the Ministry of Finance estimated the bulk of the liability to be eliminated over 12 years as existing electricity contracts expire. As a result, the Corporation is amortizing the liability to revenue over that period.

In addition, effective January 1, 2009, OEFC entered into a support contract with OPG whereby OPG agreed to maintain the reliability and availability of Lambton and Nanticoke coal-fired stations following implementation of a greenhouse gas emissions-reduction strategy. Under the contract, OEFC agreed to ensure OPG would recover the actual costs of operating the stations after implementing this strategy. Any costs to OEFC under this agreement, which expires December 31, 2014, are fully recovered from ratepayers.

During the year ended March 31, 2012, OEFC's costs under power supply contracts totalled $1,375 million, including purchases of power from NUGs of $1,020 million (2011 – $1,021 million) and OPG support contract costs of $355 million (2011 – $267 million).

Statement of Liability for Power Purchase Contracts ($ millions)
As at March 31, 2012

	2012	2011
Liability, beginning of year	$ 1,519	$ 1,858
Amortization	(317)	(339)
Liability, end of year	**$ 1,202**	**$ 1,519**

10) Unfunded Liability

Pursuant to the Act and consistent with the principles of electricity restructuring, the government has a long-term plan to defease the unfunded liability from the electricity sector. The plan includes cash flows from the following sources:

Notes receivable from the Province of $8.9 billion, OPG of $3.4 billion, Hydro One of $4.8 billion and IESO for $0.1 billion, for a total of $17.2 billion as at April 1, 1999 as a result of the transfer of assets to successor companies;

PIL of corporate income, capital and property taxes made by OPG, Hydro One and municipal electric utilities;

DRC paid by ratepayers based on the consumption of electricity; and

Electricity Sector Dedicated Income Consistent with the government's commitment to keep electricity income in the electricity sector, the cumulative combined net income of OPG and

Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries will be allocated to help retire OEFC's debt.

11) Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business, some of which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999. For some of these claims, OPG or Hydro One is required to indemnify OEFC for any liability arising from the claim. For claims on which OEFC is provided no indemnification and where the outcome and ultimate disposition of these legal actions is not determinable at this time, the settlements, if any, will be reflected in the period in which settlement occurs.

Subject to a $10 million deductible, OEFC has agreed to indemnify Hydro One in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the company at April 1, 1999, and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province has guaranteed any liability arising from these indemnifications. A similar indemnity provided to OPG was terminated as of May 31, 2006.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase agreements described in Note 9. These guarantees total approximately $20 million at March 31, 2012 (2011 – $28 million).

12) Related Party Transactions

In the normal course of operations, OEFC has transactions with the following related parties, all of which have been disclosed in the notes to the financial statements. Each of the following entities is included in the Province's financial statements:

a) Province of Ontario
b) Ontario Power Generation Inc.
c) Hydro One Inc.
d) Independent Electricity System Operator
e) Ontario Financing Authority

Ontario Energy Board

MANAGEMENT'S RESPONSIBILITY

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Board assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Board's Management Committee. In addition the financial statements have been audited by the Auditor General of Ontario, whose report follows.

Allan Fogwill
Managing Director, Planning & Business Services
July 25, 2012

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Energy Board

I have audited the accompanying financial statements of the Ontario Energy Board, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Energy Board as at March 31, 2012 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

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Peall

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
July 25, 2012

Ontario Energy Board

STATEMENT OF FINANCIAL POSITION

As at March 31, 2012

	2012 $	2011 $
ASSETS		
Current Assets:		
Cash	5,820,653	3,346,547
Investments - current (note 2c)	0	987,010
Accounts receivable	1,248,728	557,831
Regulatory process costs to be assessed	803,780	1,424,812
Deposits and prepaid expenses	218,844	243,693
Total Current Assets	8,092,005	6,559,893
Long-term Assets:		
Investments - long-term (note 2c)	3,954,647	3,999,434
Capital assets (note 5)	5,360,403	5,685,561
Total Long-term Assets	9,315,050	9,684,995
TOTAL ASSETS	**17,407,055**	**16,244,888**
LIABILITIES		
Current Liabilities:		
Deferred revenue (note 3b)	1,714,893	724,888
Accounts payable and accrued liabilities	4,702,258	4,582,286
Total Current Liabilities	6,417,151	5,307,174
Long-term Liabilities:		
Deferred revenue related to capital assets (note 3c)	3,330,178	3,393,371
Deferred rent inducement (note 8)	2,620,943	2,959,115
Pension liability (note 6)	354,374	409,793
Total Long-term Liabilities	6,305,495	6,762,279
TOTAL LIABILITIES	**12,722,646**	**12,069,453**
Operating Reserve (note 4)	3,422,783	4,175,435
Net Assets:		
Internally Restricted Net Assets (note 7)	1,261,626	0
TOTAL LIABILITIES, RESERVE AND NET ASSETS	**17,407,055**	**16,244,888**

See accompanying notes to financial statements

On behalf of the Management Committee:

Rosemarie Leclair
Chair

Cynthia Chaplin
Vice-Chair

Ontario Energy Board

STATEMENT OF OPERATIONS AND NET ASSETS

Year Ended March 31, 2012

	2012 $	2011 $
REVENUES		
Recovery of Costs:		
General cost recovery (note 3a)	31,386,461	30,974,444
Amortization of deferred revenue related to capital assets	1,189,663	1,449,450
Regulatory process costs	994,582	1,598,355
Total Revenues from Recovery of Costs	33,570,706	34,022,249
Other Revenues:		
Administrative penalties	1,261,626	0
Licence fees	343,719	331,675
Interest income & unrealized gain or loss in investments	223,884	121,760
Miscellaneous income	10,550	8,125
Total Other Revenues	1,839,779	461,560
TOTAL REVENUES	**35,410,485**	**34,483,809**
EXPENSES		
Salaries and benefits	24,653,654	23,655,988
Consulting and professional	3,366,706	3,808,315
Premises	2,442,298	2,602,320
Publications, media and publishing	776,049	1,192,978
Information technology	639,645	773,684
Office and administration	543,248	639,589
Meetings, training and travel	537,596	633,985
Amortization	1,189,663	1,449,450
TOTAL EXPENSES	**34,148,859**	**34,756,309**
EXCESS(DEFICIENCY) OF REVENUES OVER EXPENSES	**1,261,626**	**(272,500)**
Net Assets, beginning of period (note 7)	0	272,500
NET ASSETS, end of period	**1,261,626**	**0**

See accompanying notes to financial statements

Ontario Energy Board

STATEMENT OF CASH FLOWS

Year Ended March 31, 2012

	2012	2011
	$	**$**
Net inflow (outflow) of cash related to the following activities:		
OPERATING		
Assessment billed	33,502,936	30,285,914
Regulatory process costs revenue	994,582	1,598,355
Other revenues	1,839,779	461,560
Expenses	(34,148,859)	(34,756,309)
	2,188,438	(2,410,480)
Adjustment for Non-cash Expenses:		
Amortization of capital assets paid by Board	1,189,663	1,449,450
Amortization of leasehold improvements paid by landlord	261,965	261,965
	1,451,628	1,711,415
Changes in Non-cash Working Capital:		
Accounts receivable	(690,897)	(329,706)
Regulatory process costs to be assessed	621,032	(609,093)
Deposits and prepaid expenses	24,849	109,073
Operating reserve	(752,652)	(718,413)
Accounts payable and accrued liabilities	119,972	247,719
Pension liability	(55,419)	84,800
Deferred rent inducement	(338,172)	(338,172)
	(1,071,287)	(1,553,792)
Net Cash from Operating Activities	**2,568,779**	**(2,252,857)**
INVESTING		
Capital asset purchases	(1,126,470)	(1,704,179)
Investments	1,031,797	(4,986,444)
Net Cash Used in Investing Activities	**(94,673)**	**(6,690,623)**
NET CHANGE IN CASH	2,474,106	(8,943,480)
Cash, beginning of period	3,346,547	12,290,027
Cash, end of period	**5,820,653**	**3,346,547**

See accompanying notes to financial statements

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

1. Nature of the Corporation

The Ontario Energy Board (the "Board") is the regulator of Ontario's natural gas and electricity industries. The Board also provides advice on energy matters referred to it by the Minister of Energy and the Minister of Natural Resources.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998*, (the "OEB Act") the Board was continued as a corporation without share capital empowered to fully recover its costs from natural gas and electricity industry participants.
As an agent of Her Majesty in right of Ontario, the Board is exempted from federal and provincial income taxes under the Income Tax Act.

The Fund is classified as a government not for profit organization for accounting purposes.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

Revenues received in the 2011-12 fiscal year that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue is matched to the expenses of the Board as follows:

- General cost recovery under S.26 of the OEB Act related to the expenses of the Board is recognized as revenue to the extent that they are in excess of regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues. Revenue assessed in excess of actual cost in 2011-12 is referred to as a true-up (note 3b).
- Revenue from administrative penalties assessed against market participants under s. 112.5 of the OEB Act is recognized in the year the Board issues the enforcement order, for the amount identified in the order, provided that the order is not under appeal and a reasonable estimate can be made and collection is reasonably assured. If the order is appealed, revenue will be recognized in the year in which all rights of appeal are exhausted and the order becomes final.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

Revenue from administrative penalties is not used to reduce the costs assessed under the Board's Cost Assessment Model (note 7).

- Amortization of deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3c).
- Regulatory process costs are recognized as revenue when related expenses are incurred.

Other revenues are recognized when received and receivable.

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and related software	3 years
Audio visual equipment	3 years
Leasehold improvements	over remainder of lease

c) Financial Instruments

Under Canadian generally accepted accounting principles, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

All financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

The Board has adopted the following classifications for financial assets and financial liabilities:

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

- Cash and investment assets are classified as held for trading and recorded at fair value, with changes in fair value during the period recognized in the Statement of Operations and Net Assets.
- Accounts receivable and regulatory process costs to be assessed are classified as loans and receivables and are valued at face value which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

e) Employee Pension Plans

The Board's full-time employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Board's annual payments to the fund. Since the Board is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Board, as the sponsor is responsible for ensuring that the pension funds are financially viable. The Board's expense is limited to the required contributions to the Fund as described in note 6(a).

The Board also manages a supplementary unfunded pension plan for a former Chair as described in note 6(b). The Board accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method, prorated on management's best estimate assumptions.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

3. Industry Assessments for 2011-12

During the 2011-12 fiscal year, the natural gas and electricity industry participants were assessed estimated costs for the 2011-12 fiscal year based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The 2011-12 true-up will be used to reduce the 2012-13 fiscal year assessment. The calculation of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

a) 2011-12 General cost recovery

Salaries and benefits	$24,653,654
Consulting and professional	$3,366,706
Premises	$2,442,298
Publications, media and publishing	$776,049
Information technology	$639,645
Office and administration	$543,248
Meetings, training and travel	$537,596
Amortization	$1,189,663
Total expenses	$34,148,859
Regulatory process costs, amortization of deferred revenue related to capital assets and other revenues	$(2,762,398)
General cost recovery at March 31, 2012	**$31,386,461**

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

b) 2011-12 Current Deferred Revenue (2011-12 True-up)

General cost recovery (note 3a)	$31,386,461	
2011-12 Capital expenditures paid by the OEB	$1,126,470	
Total assessment (actual)		$32,512,931
Total assessment (budget)		$34,227,824
2011-12 Current Deferred Revenue (2011-12 True-up)		**$1,714,893**

c) 2011-12 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for $3,540,400 of leasehold improvements on behalf of the Board since the start of the lease on January 1, 2005.

Net book value of capital assets 2011-12 (note 5)	$ 5,360,403
Net book value of leasehold improvements paid by landlord (note 5)	$(2,030,225)
2011-12 Deferred revenue related to capital assets	**$3,330,178**

4. Operating Reserve

As part of its self-financing status, the Board established an operating reserve, which is adjusted on an annual basis. The primary objective of maintaining this reserve is to fund the Board's operations in the event of revenue shortfalls or unanticipated expenditures. It is to be used for cash flow management and to support working capital requirements.

The operating reserve was initially set at a maximum of 15% of the annual assessment. Based on the review of cash flow history the Board reduced the operating reserve to

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

10% of the current annual funding requirement in fiscal year 2011-12. This operating reserve level is expected to be maintained in fiscal year 2012-13.

2011-12 Operating reserve

Operating reserve as at March 31, 2011	$4,175,435
Adjustment to the operating reserve (from 12.5% to 10%)	$(752,652)
Operating reserve as at March 31, 2012	**$3,422,783**

The Board is not subject to any externally imposed reserve requirements.

5. Capital Assets

	Cost	Accumulated amortization	Net book value 2012	Net book value 2011
Office furniture and equipment	$2,804,730	$2,474,212	$330,518	$422,133
Computer equipment and related software	$10,172,154	$8,102,141	$2,070,013	$1,996,968
Audio visual equipment	$870,087	$858,013	$12,074	$24,148
Leasehold improvements paid by OEB	$1,273,040	$355,467	$917,573	$950,122
Leasehold improvements paid by Landlord	$3,540,400	$1,510,175	$2,030,225	$2,292,190
Total	**$18,660,411**	**$13,300,008**	**$5,360,403**	**$5,685,561**

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

6. Employee Future Benefits

a) The Board's contribution to the Public Service Pension Plan for the 2011-12 fiscal year was $1,471,091, (2011 - $1,388,702) and is included in salaries and benefits costs on the Statement of Operations and Net Assets.

b) The unfunded supplemental pension plan for a former Chair had an accrued total benefit obligation of $354,374 (2011 - $409,793) and an accrued benefit liability with respect to the Board of $354,374 (2011 - $409,793). No benefits were paid during the year (2011 - $0). The significant actuarial assumptions adopted at March 31, 2012 included a discount rate of 3.50% (2011 - 4.00%). The assumed pension commencement age has been changed to immediate retirement as at March 31, 2012. Any unrealized net actuarial gains and losses are recognized each year as they arise, therefore the total benefit obligation equals the actuarial benefit liability as at March 31, 2012. The Board's related pension gain was $55,419 (2011 - $84,800 expense) and was reflected in salaries and benefits costs.

c) The Board is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

7. Internally Restricted Net Assets

The internally restricted net assets at March 31, 2012 represent revenue from administrative penalties assessed against individual market participants under s. 112.5 of the *Ontario Energy Board Act, 1998.* According to the OEB Cost Assessment Model, revenue from administrative penalties will not be used to reduce payments under the general assessment. Revenue from administrative penalties plus any related interest revenue is internally restricted by the Management Committee to support activities relating to consumer education, outreach and other activities in the public interest.

The changes in internally restricted net assets are as follows:

Balance, beginning of the year	$0
Administrative penalties issued in 2011-12	$1,255,883
Interest revenue from administrative penalties	$5,743
Expenses incurred	$(0)
Balance, end of the year	**$1,261,626**

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

8. Deferred Rent Inducement and Operating Lease Commitments

The Board entered into a lease commitment for its office space during the 2004-05 fiscal year, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

	2012	2011
Balance, beginning of the year	$2,959,115	$ 3,297,287
Less: Amortization of deferred rent inducement netted against premises expense	$(338,172)	$(338,172)
Balance, end of the year	**$2,620,943**	**$2,959,115**

The minimum annual payments under the operating lease for the remaining 9 years and in aggregate are as follows:

2013	$2,444,601
2014	$2,491,278
2015	$2,574,760
2016	$2,730,491
2017	$2,781,497
2018 and thereafter	$7,919,401
Total	**$20,942,028**

9. Financial Instruments

The Board's investments consist of two Ontario Government bonds with maturities of June 2013 and March 2014 and effective yields of 1.945% to 2.25% respectively. Both are highly liquid and are readily convertible into known amounts of cash.

It is management's opinion that the Board is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

Ontario Energy Board
Notes To The Financial Statements
March 31, 2012

10. Accounting Standards Change

Consistent with the Board's classification as a government not for profit organization, commencing with the March 31, 2013 financial statements, the Board will be adopting Public Sector Accounting standards with the not for profit standards. Management anticipates there will be minimal impact on the Board's financial statements resulting from the conversion to these standards.

ONTARIO FINANCING AUTHORITY

Responsibility for Financial Reporting

The accompanying Financial Statements of the OFA have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 13, 2012.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit & Risk Management Committee of the Board.

The Board, through the Audit & Risk Management Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit & Risk Management Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The Financial Statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Gadi May

Gadi Mayman
Chief Executive Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

**To the Ontario Financing Authority
and to the Minister of Finance**

I have audited the accompanying financial statements of the Ontario Financing Authority, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, change in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Financing Authority as at March 31, 2012 and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 13, 2012

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

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ONTARIO FINANCING AUTHORITY
STATEMENT OF FINANCIAL POSITION

As at March 31, 2012

(in thousands of dollars)	2012	2011
FINANCIAL ASSETS		
Cash	$ 8,672	$ *3,916*
Interest receivable - OMIC (Note 2)	996	*1,819*
Due from agencies and related parties (Note 8)	2,149	*1,913*
Due from the Province of Ontario	1,846	*1,669*
Loans receivable (Note 2)	44,235	*73,865*
	57,898	*83,182*
LIABILITIES		
Accounts payable	4,467	*1,647*
Interest payable - OMIC (Note 2)	996	*1,819*
Due to the Province of Ontario - Recoveries	1,147	*1,274*
Debt (Note 2)	44,235	*73,865*
Deferred revenue (Note 4)	2,006	*2,400*
	52,851	*81,005*
Net financial assets	**5,047**	*2,177*
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	2,001	*2,377*
	2,001	*2,377*
Accumulated surplus	$ **7,048**	$ *4,554*

See accompanying notes to financial statements

Approved on behalf of the Board of Directors:

Gadi May

Steve Orsini
Chair

Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY
STATEMENT OF OPERATIONS

For the year ended March 31, 2012

(in thousands of dollars)	2012 Budget	2012 Actual	2011 *Actual*
REVENUE			
Cost recovery from the Province of Ontario (Note 5)	$ 20,126	$ 18,752	*$ 19,995*
Cost recovery from Agencies & related parties (Note 8)	5,104	4,621	*5,073*
Interest revenue (Note 2)	6,642	7,227	*9,252*
	31,872	30,600	*34,320*
EXPENSES			
Salaries, wages and benefits	18,894	18,754	*18,503*
Interest on debt (Note 2)	4,701	4,733	*7,263*
Administrative and general	5,101	3,559	*5,466*
Amortization for tangible capital assets (Note 4)	1,235	1,060	*1,110*
	29,931	28,106	*32,342*
Operating surplus	1,941	2,494	*1,978*
Accumulated operating surplus at beginning of period	4,554	4,554	*2,576*
Accumulated operating surplus at end of period	$ 6,495	$ 7,048	*$ 4,554*

See accompanying notes to financial statements

ONTARIO FINANCING AUTHORITY

STATEMENT OF CHANGE IN NET ASSETS

For the year ended March 31, 2012

(in thousands of dollars)	2012 Budget	2012 Actual	*2011 Actual*
Operating Surplus	$ 1,941	$ 2,494	*$ 1,978*
Acquisition of tangible capital assets (Note 3)	(1,210)	(684)	*(434)*
Amortization of tangible capital assets (Note 3)	1,235	1,060	*1,110*
	1,966	2,870	*2,654*
Increase in net assets	1,966	2,870	*2,654*
Net assets/(net debt) at beginning of year	2,177	2,177	*(477)*
Net assets at end of year	$ 4,143	$ 5,047	*$ 2,177*

See accompanying notes to financial statements

STATEMENT OF CASH FLOW

For the year ended March 31, 2012

(in thousands of dollars)		2012		2011
Operating transactions				
Annual Surplus	$	2,494	$	*1,978*
Amortization of Tangible Capital Assets		1,060		*1,110*
Increase in due from agencies & related parties		(236)		*(239)*
Decrease in due from the Province (net of accounts payable)		2,643		*19*
(Decrease)/Increase in recoveries due to the Province		(127)		*20*
Decrease in deferred revenue		(394)		*(694)*
Cash provided by operating transactions		5,440		*2,194*
Capital transactions				
Cash used to acquire tangible capital assets		(684)		*(434)*
Cash applied to capital transactions		(684)		*(434)*
Increase in cash		4,756		*1,760*
Cash at beginning of year		3,916		*2,156*
Cash at end of year	$	**8,672**	$	***3,916***

See accompanying notes to financial statements

Ontario Financing Authority
Notes to Financial Statements
For the year ended March 31, 2012

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario ("the Province");
- manages the Provincial debt;
- provides financial and centralized cash management services for the Province;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies.

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: Because the OFA is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

Net Debt Presentation: Beginning fiscal 2012, OFA has adopted Section PS 1201, *Financial Statement Presentation* reflecting the net debt model recommended by Public Sector Accounting Board (PSAB). The following is a summary of significant differences for the OFA between March 31, 2011, as previously reported and restated financial statements:

The balance sheet is now called statement of financial position, segregating financial and non-financial assets; liabilities; net financial assets and accumulated surplus at the statement of financial position date.

The statement of net income and retained earnings has been replaced by the statement of operations. In addition, the statement of operations presents a comparison of actual and budgeted amounts for the current fiscal year.

A new statement of change in net assets has been prepared.

The statement of cash flows has also been prepared segregating operating and capital transactions.

Cash: Cash includes cash on deposit and highly liquid investments with maturities of less than one year. They are recorded at cost, which approximates current market value.

Tangible capital assets: Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset, as listed below.

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease plus one renewal period

Funding received from the Province and the Agencies for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the tangible capital assets.

Measurement uncertainty: The preparation of these financial statements requires management to make estimates that are based on the best information available at the time of preparation of the financial statements.

2. LOANS RECEIVABLE, DEBT AND RELATED INTEREST

In accordance with the *Capital Investment Plan Act, 1993*, the Ontario Municipal Improvement Corporation (OMIC) assets and liabilities were transferred to the OFA on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) which were used to make loans to municipalities and school boards under similar terms as its debt.

The maturities and average interest rates on both the outstanding loans receivable and outstanding debt are set out below:

(in thousands of dollars)

Maturing in :	**Principal Maturing**	**Average Interest Rate (%)**
2013	44,235	9.22

Interest payable to CPP of $1.0 million (March 2011 – $1.8 million) is equal to the interest receivable from the municipalities and school boards.

The $7.2 million (March 2011 – $9.3 million) interest revenue equals $4.7 million (March 2011 – $7.3 million) interest expense on the CPP borrowings, plus $2.5 million (March 2011 – $2.0

million) interest rate spread charged on loans to related parties as explained in Note 6 plus interest on the cash balance.

3. TANGIBLE CAPITAL ASSETS

The net book value (NBV) of tangible capital assets is as follows:

(in thousands of dollars)

	Cost	Accumulated Amortization	NBV March 31, 2012	NBV March 31, 2011
Furniture and equipment	$ 1,065	$ 790	$ 275	$ 450
Computer hardware	11,795	10,885	910	985
Leasehold improvements	1,747	931	816	942
Total	$ 14,607	$ 12,606	$ 2,001	$ 2,377

4. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province and the Agencies for the acquisition of tangible capital assets and the amount of lease inducement to be amortized to operations over the remaining one-year term of the lease.

(in thousands of dollars)

	Tangible Capital Assets	Lease Inducement	Total
Balance, beginning of period	$ 2,377	$ 23	$ 2,400
Additions	684	-	684
Amortization	(1,060)	(18)	(1,078)
Balance, end of period	$ 2,001	$ 5	$ 2,006

The $1,060,000 amortization of deferred tangible capital asset revenue is included in the cost recovery from the Province of Ontario on the Statement of Operations, while the $18,000 amortization of deferred lease inducement is netted against administrative and general expense.

5. DEBT MANAGEMENT FOR THE PROVINCE

The OFA manages debt amounting to $257.5 billion as at March 31, 2012 and investments amounting to $35.2 billion as at March 31, 2012 on behalf of the Province, including the joint management of funds owned by Ontario Power Generation Inc. (OPG) under the *Ontario Nuclear Funds Agreement*. The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2012 was $18.8 million (March 2011 – $20.0 million).

6. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province. As the OFA is directed by the Province to make these loans in furtherance of stated Provincial initiatives, and these loans are included in the Province's consolidated financial statements, these transactions are not reflected in these financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating $14.5 billion expiring from 2027 to 2040. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies will generally be slightly higher than the rate charged on the advances from the Province to fund the loans ("the spread").

The OFA will generally retain the spread in order to recover the administrative costs of managing these loans. In some cases the rate charged to the borrower will be similar to the rate that would be charged on the loan by a commercial lender which would reflect the relative risk associated with the loan.

Funds are generally advanced by the OFA to public bodies under interim financing arrangements consisting of a number of promissory notes for terms not exceeding one year. The promissory notes are later converted to term debt and repayment terms are finalized. As of March 31, 2012, the principal amounts receivable by the OFA on behalf of the Province represent debentures and short-term loans. In addition to the outstanding loans below, interest accrued on these loans amounted to $84.1 million (March 2011 – $72.9 million).

These are related party transactions, with the exception of those with the Corporation of the City of Windsor and the Federal Agencies-Auto Sector.

(in thousands of dollars)

	March 31, 2012	March 31, 2011
Centennial Centre of Science and Technology	$ 2,500	*$ 3,000*
Colleges of Applied Art and Technologies	133,748	*81,967*
Corporation of the City of Windsor	17,184	*17,184*
Federal Agencies-Auto Sector	0	*93,000*
Niagara Parks Commission	6,019	*6,271*
Infrastructure Ontario	83,000	*123,000*
Ontario Lottery and Gaming Corporation	131,283	*149,515*
Ontario Northland Transportation Commission	11,996	*27,241*
Ontario Power Authority	75,000	*30,059*
Ottawa Convention Centre	40,000	-
Royal Ontario Museum	39,900	*42,200*
School Boards	4,664,769	*4,029,781*
Total	**$ 5,205,399**	***$ 4,603,218***

Loans to Public Bodies by the Province:

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act, 1990*. The $2.5 million (March 2011 – $3.0 million) loan was made to fund the construction of the Agents of Change project, bears interest at 4.35% and matures in March 2017.

Colleges of Applied Arts and Technology have been loaned $134 million (March 2011 – $82 million) for various campus projects including new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. These loans bear interest ranging from 1.31 per cent to 5.49 per cent and mature from 2012 to 2040.

The Corporation of the City of Windsor is a municipality within the meaning of *the Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility consisting of a provincial division courthouse and city police headquarters. This is a 20-year loan bearing interest at 6.41 per cent and maturing in March 2021. The outstanding balance is $17.2 million (March 2011 – $17.2 million)

In 2009, the Province committed to provide one-third of the total Canadian financial assistance, to a maximum of $4,800 million, as part of a co-ordinated response with the Canadian and U.S.

federal governments to support the restructuring of the North American automotive industry. The Province's one-third interest was initiated through a Loan Participation Agreement with Export Development Canada (EDC), a federal Crown Corporation. Since that time a combination of loan repayments, loan revaluations, loans exchange for equity and the subsequent sale of a portion of this equity has resulted in the Province of Ontario's financial statements reflecting a balance of nil loans receivable as at March 31, 2012, and $737 million (March 2011 – $737 million) as an equity investment in the auto sector.

The Niagara Parks Commission, a Crown agency of the Province, operating under *Niagara Parks Act, 1990*, has been provided a loan of $6.0 million (March 2011 – $6.3 million) to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. This bears interest at 5.07 per cent and matures in April 2027.

The Ontario Infrastructure and Lands Corporation (OILC) is a Crown agency of the Province under the *Ontario Infrastructure and Lands Corporation Act, 20011* and has been provided a Revolving Credit Facility to a maximum amount of $200 million maturing in June 2019. OILC has drawn $83 million (March 2011 – $123 million) bearing interest at rates ranging from 1.98 to 2.64 per cent.

The Ontario Lottery and Gaming Corporation (OLG) is a Crown agency of the Province under the *Ontario Lottery and Gaming Corporation Act, 1999*, and has been provided loans totaling $131 million (March 2011 – $150 million) to fund several projects, bearing interest at rates ranging from 1.31 to 3.22 per cent and maturing from January 2013 to May 2016.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. ONTC's total borrowing of $12.0 million (March 2011 – $27.2 million) matures from 2014 to 2031 and bears interest ranging from 4.90 to 6.29 per cent.

The Ontario Power Authority (OPA) is an independent non-profit corporation under the *Electricity Restructuring Act, 2004* and was provided a maximum $975 million credit facility to fund the Regulated Price Plan variance account. The credit facility expires on December 31, 2013. The Authority has drawn a total of $75 million (March 2011 – $30 million) bearing interest at 1.19 per cent.

The Ottawa Convention Centre (OCC) is a Crown agency of the Province under the *Capital Investment Plan Act, 1993*, and has been provided a loan of $40 million (March 2011 – $0) for the purpose of providing term debt to finance part of the construction of the Ottawa Convention Centre. This is a 25-year loan, bears interest at 4.67 per cent and matures in September 2036.

The Royal Ontario Museum (ROM) is a Crown agency of the Province under the Special Act of the Ontario Legislature and has borrowed $39.9 million (March 2011 – $42.2 million) comprised of $20.2 million at fixed rate 5.04 per cent and $19.7 million at a floating rate currently at 2.77 per cent. All outstanding loans are scheduled to be repaid by March 2027.

School boards have been provided loans under various programs beginning in 2006. During the year ended March 31, 2012, school boards were provided with additional loans and made two semi-annual blended payments of principal and interest, leaving the total outstanding amount at $4,665 million (March 2011 – $4,030 million). These loans bear interest ranging from 2.42 to 5.38 per cent and mature from 2019 to 2037.

Committed Credit Facilities:

At the direction of the Province, the OFA has committed to finance a public body for which funds have not yet been advanced. The details are as follows:

The Deposit Insurance Corporation of Ontario (DICO) was provided a maximum $250 million revolving credit facility expiring on October 31, 2013 to ensure DICO's capacity to address systemic difficulties in the credit union system or the failure of large institutions that require resources above those in the Deposit Insurance Reserve Fund which is currently valued at approximately $95 million. All principal and interest is required to be repaid by December 31, 2024. DICO has not utilized this credit facility.

7. INVESTMENT MANAGEMENT FOR AGENCIES AND RELATED PARTIES

The OFA provides services, including investment management services to agencies, related parties and other public bodies as listed below in return for fees amounting to $206,000 for the year ended March 31, 2012 (March 2011 – $305,000). Funds managed on behalf of these entities totaled $2.8 billion at March 31, 2012 (March 2011 – $3.1 billion).

- Deposit Insurance Corporation of Ontario
- Northern Ontario Heritage Fund
- Ontario Capital Growth Corporation
- Ontario Immigrant Investor Corporation
- Infrastructure Ontario
- Ontario Trillium Foundation
- Pension Benefits Guarantee Fund

8. DEBT MANAGEMENT FOR AGENCIES AND RELATED PARTIES

The OFA provides debt management services on a cost recovery basis to agencies and related parties as set out below:

Agencies:

Ontario Electricity Financial Corporation (OEFC)

The OFA provides financial services and advice on a cost recovery basis to OEFC and manages its debt portfolio of approximately $26.9 billion.

Infrastructure Ontario (IO)

The OFA provides financial services and advice on a cost recovery basis to IO and manages its debt of $4.5 billion including loans from the Province, a provincial agency and third parties.

Total costs recovered and receivables outstanding at March 31, 2012 are set out below:

(in thousands of dollars)	March 31, 2012	*March 31, 2011*
Costs Recovered:		
OEFC	$ 3,471	*$ 3,693*
IO	944	*1,075*
Other (Note 7)	206	*305*
Total	$ 4,621	*$ 5,073*
Receivables:		
OEFC	$ 868	*$ 923*
IO	234	*270*
Other (Note 7)	45	*81*
Related parties (Note 6)	1,002	*639*
Total	$ 2,149	*$ 1,913*

9. FUTURE EMPLOYEE BENEFITS

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government Services (MGS) is responsible for funding the employer's contribution to the Pension Fund and accordingly, the OFA has no additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGS and is not reported in these financial statements.

10. CONTINGENCIES AND COMMITMENTS

At March 31, 2012, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

11. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the financial statement presentation adopted for the 2011–12 fiscal year.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

MANAGEMENT'S REPORT

June 29, 2012

Management of the Ontario French-language Educational Communications Authority (OFLECA) is responsible for the financial statements, the notes to the financial statements and all other financial information contained in this financial report.

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and professional judgements were used. Management believes the financial statements present fairly the OFLECA's financial position as at March 31, 2012, and the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, Management has developed and maintains a system of internal controls designed to provide reasonable assurance that the OFLECA's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors is responsible for ensuring that the OFLECA's Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for review of the financial statements principally through the Audit Committee. The Audit Committee meets with Management and the external auditors to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The external auditors have full access to the Audit Committee with or without the presence of Management.

The financial statements for the year ended March 31, 2012 have been audited by Marcil Lavallée, Chartered Accountants, Licensed Public Accountants, the independent external auditors appointed by the members of the OFLECA. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their professional opinion on the financial statements.

Glenn O'Farrell
Chief Executive Officer

Johanne Joly, CMA
Chief Financial Officer

Toronto, Ontario
June 29, 2012

MARCIL LAVALLÉE
COMPTABLES AGRÉÉS | CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ontario French-language Educational Communications Authority

We have audited the accompanying financial statements of the Ontario French-language Educational Communications Authority (OFLECA), which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario French-language Educational Communications Authority as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Marcil Lavallée.

Chartered Accountants, Licensed Public Accountant

Ottawa, Ontario
June 29, 2012

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
REVENUE		
Contributions		
- Operating grants (Note 13)	**$ 14,199,700**	$ 16,965,000
- Corporate and government (Note 14)	**4,832,280**	6,428,140
Other (Note 15)	**3,331,010**	3,626,269
Amortization of deferred contributions – broadcasting rights (Note 11)	**1,500,353**	1,411,287
Amortization of deferred contributions – in-house programming	**1,082,650**	-
Amortization of deferred contributions – capital assets (Note 12)	**2,916,909**	2,717,264
	27,862,902	31,147,960
EXPENSES		
Content and programming	**7,330,014**	11,726,998
Production and technology	**7,495,881**	6,566,831
Administration	**3,248,719**	2,700,289
Amortization of capital assets	**3,042,923**	2,843,279
Amortization of broadcasting rights	**5,322,122**	6,360,557
Amortization of in-house programming	**1,082,650**	-
Employee future benefits	**328,415**	700,430
	27,850,724	30,898,384
EXCESS OF REVENUE OVER EXPENSES	**$ 12,178**	$ 249,576

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2012

	Internally Restricted						
	Invested in Capital Assets	**Invested in Broadcasting Rights**	**Pension Fund**	**TFO Fund**	**Unrestricted**	**Total 2012**	Total 2011
BALANCE, BEGINNING OF YEAR	**$ 220,794**	**$ 9,023,877**	**$ 462,076**	**$ 1,519,008**	**$ 1,520,383**	**$ 12,746,138**	$ 12,496,562
Excess of revenue over expenses	**(126,015)**	**(3,821,769)**	**(512,536)**	-	**4,472,498**	**12,178**	249,576
Net acquisition of capital assets	**(30,133)**	-	-	-	**30,133**	-	-
Net investment in broadcasting rights	-	**1,878,838**	-	-	**(1,878,838)**	-	-
Excess of retirement gratuities	-	-	**865,836**	-	**(865,836)**	-	-
Restriction – Pension Fund (Note 6)	-	-	**(249,574)**	-	-	**(249,574)**	-
BALANCE, END OF YEAR	**$ 64,646**	**$ 7,080,946**	**$ 565,802**	**$ 1,519,008**	**$ 3,278,340**	**$ 12,508,742**	$ 12,746,138

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2012

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash	$ 7,106,217	$ 5,016,261
Accounts receivable (Note 5)	5,021,910	4,445,723
Prepaid expenses	446,225	184,195
	12,574,352	9,646,179
RESTRICTED CASH (Note 6)	4,753,933	6,938,042
BROADCASTING RIGHTS (Note 7)	14,871,822	12,955,106
IN-HOUSE PROGRAMMING	3,247,950	-
ACCRUED BENEFIT ASSET – PENSION PLAN (Note 8)	565,800	212,500
CAPITAL ASSETS (Note 9)	11,615,408	13,649,231
	$ 47,629,265	$ 43,401,058
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	$ 4,981,903	$ 5,844,371
Deferred contributions	5,145,010	2,853,460
	10,126,913	8,697,831
ACCRUED BENEFIT LIABILITY – OTHER PLANS (Note 8)	1,263,300	1,101,700
DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS (Note 11)	7,172,141	5,667,494
DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING	3,247,950	-
DEFERRED CONTRIBUTIONS – CAPITAL ASSETS (Note 12)	13,310,219	15,187,895
	35,120,523	30,654,920
NET ASSETS		
Internally Restricted		
- Invested in Capital Assets	64,646	220,794
- Invested in Broadcasting Rights	8,080,946	9,023,877
- Pension Fund	565,802	462,076
- TFO Fund	1,519,008	1,519,008
Unrestricted	2,278,340	1,520,383
	12,508,742	12,746,138
	$ 47,629,265	$ 43,401,058

ON BEHALF OF THE BOARD

President of the Board

Vice-President of the Board and
President of the Audit Committee

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 12,178	$ 249,576
Nets assets allocation to the Pension Fund	(249,574)	-
Adjustments for:		
Employee future benefits	(191,700)	48,300
Amortization of capital assets	3,042,923	2,843,279
Amortization of deferred contributions – capital assets	(2,916,909)	(2,717,264)
Amortization of deferred contributions – broadcasting rights	(1,500,353)	(1,411,287)
Amortization of deferred contributions – in-house programming	(1,082,650)	-
Amortization of broadcasting rights	5,322,122	6,360,557
Amortization of in-house programming	1,082,650	-
	3,518,687	5,373,161
Net change in non-cash working capital items (Note 4)	590,865	3,116,883
Cash flows from operating activities	4,109,552	8,490,044
INVESTING ACTIVITIES		
Acquisition of capital assets	(1,009,100)	(1,137,338)
Acquisition of broadcasting rights	(7,238,838)	(6,465,909)
Acquisition of in-house programming	(4,330,600)	-
Cash flows used in investing activities	(12,578,538)	(7,603,247)
FINANCING ACTIVITIES		
Programming grant	3,005,000	3,419,000
Capital grant	1,039,233	1,150,000
In-house programming grant	4,330,600	-
Cash flows from financing activities	8,374,833	4,569,000
NET INCREASE (DECREASE) IN CASH	(94,153)	5,455,797
CASH, BEGINNING OF YEAR	11,954,303	6,498,506
CASH, END OF YEAR	$ 11,860,150	$ 11,954,303
CASH REPRESENTED BY:		
Unrestricted cash	$ 7,106,217	$ 5,016,261
Restricted cash (Note 6)	4,753,933	6,938,042
	$ 11,860,150	$ 11,954,303

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

1. STATUTE AND NATURE OF OPERATIONS

The Ontario French-language Educational Communications Authority (the Authority) is a Crown corporation created by a decree on April 1, 2007. The Authority, an independent French language broadcasting network, is a charitable organization and therefore exempt from income taxes. The Authority's main objectives are to provide French language educational broadcasting and telecommunications to the general public, to provide for the francophone community's interests and needs, and to develop the knowledge and skills of this community.

2. CHANGE IN THE BASIS OF ACCOUNTING

During the year, the Authority adopted a new method to account for the costs of developing its in-house programming. Management decided to change how the method to account for these costs in order to recognize the future economic value of its in-house programs. These programs are rebroadcasted over a period of several years and portions of these programs are also used as web-based interactive tools. This accounting method is also consistent with industry practice. This resulted in the creation of an intangible asset which will be used by the OFLECA to generate long-term future economic benefits.

In accordance with Section 1506 of the Canadian Institute of Chartered Accountants' (CICA) Handbook, changes in accounting policies must be applied retrospectively. It was determined to be impractical, based on reasonable effort, to establish the cumulative effect of this change in accounting policy in a retrospective manner. This is due to the fact that the accounting management framework used by the Authority in previous years did not allow for compilation of costs by production, which makes impractical the collection of data from previous years. It was agreed to apply the change prospectively as of the first practical date, i.e. April 1, 2011. The effect of this change in accounting policy is reflected in the financial statements through the recognition of an intangible asset, under In-house programming, in the amount of $3,247,950, net of the year's amortization expense of $1,082,650. An equivalent deferred contribution, from the core funding received from the Ontario Ministry of Education, was also recognized in the financial statements for the year ended March 31, 2012.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are stated at fair value. No information on the fair market value is presented when the carrying amount is a reasonable approximation of the fair market value.

Use of estimates

The preparation of financial statements in compliance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from these estimates.

Revenue recognition

Contributions

The Authority follows the deferral method of accounting for contributions.

Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Subscriptions

Revenue from signal subscriptions is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments

The Authority has elected to classify its financial assets and liabilities in the following manner:

Loans and receivables

Accounts receivable are measured at amortized cost using the effective interest method. Gains and losses related to the derecognition of these financial assets are recognized in the statement of operations in the period in which they arise.

Held-for-trading financial assets and liabilities

Cash is measured at fair value using the market price method. Gains and losses are recognized in the statement of operations in the period in which they arise.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Gains and losses related to the derecognition of these financial liabilities are recognized in the statement of operations in the period in which they arise.

Financial instruments – disclosure and presentation

The Authority has elected to take advantage of the choice to apply the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, "Financial instruments – disclosure and presentation" in place of Sections 3862, "Financial instruments – disclosures" and 3863, "Financial instruments – presentation".

Impairment of long-lived assets

A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The carrying amount of long-lived assets is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the assets. In such a case, an impairment loss is recognized and is measured as the amount by which the carrying amount of the long-lived assets exceeds their fair value.

Amortization

Capital assets are amortized over their estimated useful lives using the straight-line method over the following periods:

	Periods
Transmitters	17 years
Transmitter monitoring equipment	7 years
Technical equipment	7 years
Computer equipment	5 years
Office furniture and equipment	15 years
Leasehold improvements	Duration of the lease

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Broadcasting rights, in-house programming and production costs

Broadcasting rights, in-house programming and production costs are accounted for as follows:

By in-house programming, we mean internally developed television broadcasting. Completed and in-progress programming having a future economic value through rebroadcasting and the use of web-based interactive tools, is accounted for on an individual basis at cost, deducted from accumulated amortization and cumulative loss in value. Cost includes the cost of supplies and services and the portion of the labour and other direct expenses related to programming. Programming costs are recognized in the statement of operations with the television and new medias services expense based on their expected amortization period or when programming is sold or unusable.

All programs produced by the Authority and under co-production, pre-purchase and acquisition contracts are accounted for at cost over a period of four years on a straight-line basis.

Programming assets are tested for impairment on an annual basis. An impairment loss is recognized when its carrying value is not recoverable and exceeds its fair value.

Costs accounted for as intangible assets for in-house programming are amortized over a period of four years on a straight-line basis.

Employee future benefits

The Authority accrues its obligations under the employee defined benefit plans, net of the fair value of plan assets. In order to do so, the Authority has adopted the following policies:

- The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. This determination incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- An actuarial gain (loss) arises from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess of the net accumulated actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service period of active employees. The average remaining service period of the active employees covered by the pension plan is 11 years. The average remaining service period of the active employees covered by the other retirement benefit plans is 15 years.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of revenue and expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Exchange gains and losses on financial assets and liabilities are recognized in the current year's operations.

Contributions received in the form of supplies and services

The Authority accounts for the contributions received in the form of supplies and services when the fair value of these contributions can be reasonably estimated, and when the Authority should have obtained the supplies and services for its regular operations in another way.

Cash and cash equivalents

The Authority's policy is to present investments with a term equal to or less than three months in cash and cash equivalents.

Excess financing

Government ministries can require the reimbursement of any excess funding. All such reimbursements will be accounted for in the financial year in which they occur.

4. INFORMATION INCLUDED IN CASH FLOWS

Changes in working capital items are as follows:

	2012	2011
Accounts receivable	$ (576,187)	$ (1,153,393)
Prepaid expenses	(262,030)	67,618
Accounts payable	(862,468)	2,764,964
Deferred contributions	2,291,550	1,437,694
	$ 590,865	$ 3,116,883

5. ACCOUNTS RECEIVABLE

	2012	2011
Governments	$ 3,901,995	$ 2,404,669
Subscriptions	245,407	421,350
Commodity taxes	715,758	943,422
Others	158,750	676,282
	$ 5,021,910	$ 4,445,723

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

6. RESTRICTED CASH

	2012	2011
Restricted cash for capital renewal (a)	**$ 1,759,458**	$ 1,759,458
Restricted cash – employee future benefits (b)	**540,000**	849,576
Restricted cash – TFO Fund (c)	**1,519,008**	1,519,008
Restricted cash for the acquisition of subtitling	**34,700**	360,000
Restricted cash for the acquisition of broadcasting rights	**640,000**	2,000,000
Restricted cash for the acquisition of training services	**150,000**	300,000
Restricted cash - transition	**110,767**	150,000
	$ 4,753,933	$ 6,938,042

(a) A portion of the funding received annually can be set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced.

(b) During the year, the Authority chose to restrict the period's surplus for additional contributions to the pension fund. These contributions will be paid in the 2012-2013 fiscal year.

(c) During the 2008-2009 fiscal year, the Authority decided to restrict contributions obtained from the dissolution of the TVOntario Foundation, which were received during the previous year. To this effect, these restricted funds may be used for purposes determined by the Board of Directors from time to time, and only with the approval of the Board.

7. BROADCASTING RIGHTS

	2012		
	Cost	**Accumulated amortization**	**Net value**
Broadcasting rights and completed productions	**$ 36,342,772**	**$ 25,432,065**	**$ 10,910,707**
Work in progress	**3,961,115**	**-**	**3,961,115**
	$ 40,303,887	**$ 25,432,065**	**$ 14,871,822**

	2011		
	Cost	Accumulated amortization	Net value
Broadcasting rights and completed productions	$ 30,251,062	$ 20,109,943	$ 10,141,119
Work in progress	2,813,987	-	2,813,987
	$ 33,065,049	$ 20,109,943	$ 12,955,106

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

8. EMPLOYEE FUTURE BENEFITS

Description of pension and other retirement benefit plans

The Authority has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, other retirement and post-employment benefits to most of its employees.

The pension plan to which most of the Authority's employees contribute is made up of two components. The first component consists of a defined benefit plan entirely funded by the Authority. According to this plan, pension benefits are based on the number of years of service and the employee's salary at the end of their career. Every year, the pension benefits are grossed-up in accordance with the rate of inflation, up to a maximum of 3%. The second component consists in a defined contribution plan, with contributions paid by both the Authority and the participants. Other retirement benefit plans are contributory health care, dental and life insurance plans.

Total cash payments

Cash payments made for future employee benefits, consisting of cash contributed by the Authority to its funded pension plan, cash payments directly to beneficiaries on account of its unfunded other benefits plan, and cash contributed to its defined contribution plans, amounted to $775,000 (2011: $736,800).

Defined benefit plans

The Authority measures its accrued defined benefit obligations and the fair value of the plan assets as at March 31 of each year. The most recent actuarial evaluation of the pension plan, for funding purposes, is dated March 31, 2010. The next required evaluation will be as of March 31, 2013.

Reconciliation of the funded status of the benefit plans to amounts recorded in the financial statements

	2012	
	Pension Benefit Plan	**Other Benefit Plans**
Accrued benefit obligations	$ 10,677,200	$ 1,589,700
Fair value of plan assets	9,490,300	-
Funded status – plan deficit	(1,186,900)	(1,589,700)
Unamortized past service costs	-	183,100
Unamortized net actuarial (gain) loss	1,752,700	143,300
Accrued pension asset (liability)	$ 565,800	$ (1,263,300)

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

8. EMPLOYEE FUTURE BENEFITS (continued)

Reconciliation of the funded status of the benefit plans to amounts recorded in the financial statements (continued)

	2011	
	Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligations	$ 8,427,900	$ 999,200
Fair value of plan assets	8,364,700	-
Funded status – plan deficit	(63,200)	(999,200)
Unamortized net actuarial (gain) loss	275,700	(102,500)
Accrued pension asset (liability)	$ 212,500	$ (1,101,700)

Plan asset components

At the measurement date, i.e. March 31, the plan assets consist of the following:

	2012	2011
Asset category		
Equity securities	**60%**	61%
Debt securities	**35**	34
Other	**5**	5
	100%	100%

Employee future benefit costs recognized in the year and benefits paid

	2012	
	Pension Benefit Plan	**Other Benefit Plans**
Employee future benefits costs recognized	**$ 595,200**	**$ 179,100**
Benefits paid	**$ 289,600**	**$ 17,500**

	2011	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	$ 494,700	$ 146,200
Benefits paid	$ 325,900	$ 12,500

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

8. FUTURE EMPLOYEE BENEFITS (continued)

Significant assumptions

The significant assumptions used are as follows (weighted average):

	2012	
	Pension Benefit Plan	**Other Benefit Plans**
Accrued benefit obligations		
Discount rate	**5.15 %**	**5.15 %**
Rate of compensation increase	**3.50**	**4.00**
Employee future benefits costs		
Discount rate	**6.00**	**6.00**
Expected long-term rate of return on plan assets	**5.75**	
Rate of compensation increase	**3.50**	**4.00**

	2011	
	Pension Benefit Plan	Other Benefit Plans
Accrued benefit obligations		
Discount rate	6.00 %	6.00 %
Rate of compensation increase	3.50	4.00
Employee future benefits costs		
Discount rate	6.50	6.50
Expected long-term rate of return on plan assets	5.75	-
Rate of compensation increase	4.00	4.00

Assumed health care cost trend rates are based on the following:

	2012	2011
Initial health care cost trend rate	**8.53 %**	8.76 %
Cost trend rate declines to	**4.5**	4.5
Year that the rate reaches the rate it is assumed to remain at	**2030**	2030

Defined contribution plan

The total expense recognized in relation with the defined contribution plan amounts to $179,800 (2011: $242,100).

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

9. CAPITAL ASSETS

		2012	
	Cost	**Accumulated amortization**	**Net value**
Transmitters	**118,714**	**118,714**	**-**
Transmitter monitoring equipment	**910,683**	**835,125**	**75,558**
Technical equipment	**10,281,718**	**5,286,991**	**4,994,727**
Computer equipment	**5,548,413**	**3,433,807**	**2,114,606**
Office furniture and equipment	**1,162,531**	**273,139**	**889,392**
Leasehold improvements	**5,409,303**	**1,868,178**	**3,541,125**
	23,431,362	**11,815,954**	**11,615,408**

		2011	
	Cost	Accumulated amortization	Net value
Transmitters	118,714	118,714	-
Transmitter monitoring equipment	910,683	816,801	93,882
Technical equipment	10,218,036	3,827,805	6,390,231
Computer equipment	5,029,619	2,468,027	2,561,592
Office furniture and equipment	1,100,437	197,361	903,076
Leasehold improvements	5,044,773	1,344,323	3,700,450
	22,422,262	8,773,031	13,649,231

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade payables and accrued changes	**3,975,291**	5,210,305
Accrued wages and benefits	**1,006,612**	634,066
	4,981,903	5,844,371

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

11. DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS

	2012	2011
Balance, beginning of year	$ 5,667,494	$ 3,659,781
Add:		
Projects related to broadcasting rights	5,000	1,419,000
Grant – programming (Note 13)	3,000,000	2,000,000
Less:		
Amortization	(1,500,353)	(1,411,287)
Balance, end of year	$ 7,172,141	$ 5,667,494

12. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

	2012	2011
Balance, beginning of year	$ 15,187,895	$ 16,755,159
Add:		
Contributions deferred during the current year	1,039,233	1,150,000
Less:		
Amortization	(2,916,909)	(2,717,264)
Balance, end of year	$ 13,310,219	$ 15,187,895

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

13. CONTRIBUTIONS – OPERATING GRANTS

	2012	2011
Provincial		
Ministry of Education		
- Core grant	$ 15,039,400	$ 16,200,000
- Grant – programming	4,000,000	2,000,000
- Grant – transfer to in-house programming	4,330,600	-
- Transition Fund	-	300,000
- Capital grant	1,000,000	1,000,000
- HD signal	-	765,000
- Future employee benefits	60,000	600,000
- Training	150,000	300,000
- Subtitling	325,300	360,000
Less:		
Deferred contributions – broadcasting rights (Note 11)	(3,000,000)	(2,000,000)
Deferred contributions – capital assets	(1,000,000)	(1,150,000)
Deferred contributions – future employee benefits	-	(600,000)
Deferred contributions – training	-	(300,000)
Deferred contributions – transition	-	(150,000)
Deferred contributions – subtitling	-	(360,000)
Deferred contributions – in-house programming	(4,330,600)	-
Deferred contributions – special projects	(1,975,000)	-
Deferred contributions – TechMaVie	(400,000)	-
	$ 14,199,700	$ 16,965,000

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

14. CONTRIBUTIONS – CORPORATE AND GOVERNMENT

	2012	2011
Provincial Projects		
Ministry of Education		
- Early Reading and Early Math	$ -	$ 231,920
- Subtitling	-	-
- Transition	-	-
Project funding	1,654,052	2,593,856
Funds deferred from previous year	1,439,337	1,802,260
Funds deferred to future years	(1,742,246)	(1,439,337)
	1,351,143	3,188,699
Federal Projects		
Training	-	497,772
Official languages program	2,605,000	2,605,000
	2,605,000	3,102,772
Corporate Projects		
Financing received during the year	1,119,835	140,792
Funds deferred to future years	(243,698)	(4,123)
	876,137	136,669
	$ 4,832,280	$ 6,428,140

15. OTHER REVENUE

	2012	2011
Signal subscriptions	$ 3,011,354	$ 3,085,366
Sale of products, donations and other	36,989	26,305
Sublease	87,590	80,668
Interest revenue	195,077	115,668
Litigation settlement and other	-	318,262
	$ 3,331,010	$ 3,626,269

16. RELATED PARTY TRANSACTIONS BETWEEN AGENCIES

As sponsor of the Ontario French-language Educational Communications Authority Pension plan, the Authority has undertaken to pay certain costs of the pension plan, including compensation of employees, actuary fees and costs associated with the use of premises and other associated costs.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Authority is exposed to various financial risks resulting from both its operations and its investment activities. The Authority's management manages financial risks.

The Authority does not enter into financial agreements including derivative financial instruments for speculative purposes.

Financial risks

The Authority's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

The carrying amount on the balance sheet of the Authority's cash and accounts receivable, net of any applicable provisions for losses, represents the maximum amount exposed to credit risk.

The Authority is exposed to concentration risk attributable to cash since it only trades with one financial institution.

Exchange risk

The Authority is exposed to exchange risk due to cash and receivables denominated in US dollars. As at March 31, 2012, cash in US dollars totalled USD $13,952 (CAD $13,918) (2011: USD $110,753 and CAD $107,630).

The Authority does not enter into forward exchange contracts to cover its exchange risk exposure.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents. To ensure that the Authority has the necessary funds to fulfil its obligations, the Authority's management establishes budgets, but does not prepare cash flow forecasts.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2012

18. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Authority's capital management objectives are :

- To ensure the Authority's ability to continue as a going concern;
- To fulfil its financial obligations.

The Authority manages its capital by seeking contributions from provincial and federal governments and by restricting a portion of its net assets for specific uses.

In order to maintain or adjust the capital structure, the Authority may adjust the amount of expenses forecasted for the realization of certain of its activities.

19. COMMITMENTS

The Authority has entered into an operating lease agreement which calls for payments of $7,775,515 for the rental of office space. The minimum lease payments for the next five years are $1,487,400 in 2013, $1,529,400 in 2014, $1,533,900 in 2015, $1,302,200 in 2016 and $542,600 in 2017.

The Authority has entered into other operating lease agreements expiring in 2014 which call for monthly lease payments of $104,167 for access to communication services. The minimum lease payments for the next two years are $1,250,000 in 2013 and $937,500 in 2014.

As at March 31, 2012, the Authority had committed an amount of $4,907,623 in 2013 and $1,731,190 in 2014 for the purchase of broadcasting rights.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to be consistent with the current year's presentation.

ONTARIO IMMIGRANT INVESTOR CORPORATION (OIIC)

Responsibility for Financial Reporting

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgement. The financial statements have been properly prepared with reasonable limits of materiality and in light of information available up to June 27, 2012.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and his opinion.

On behalf of management

David Clifford
Chairman

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Immigrant Investor Corporation
and to the Minister of Economic Development and Trade

I have audited the accompanying financial statements of the Ontario Immigrant Investor Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Immigrant Investor Corporation as at March 31, 2012 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Peall

Toronto, Ontario
June 27, 2012

Gary Peall
Deputy Auditor General
Licensed Public Accountant

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Ontario Immigrant Investor Corporation

Statement of Financial Position
As at March 31, 2012

	2012 ($ 000)	2011 ($ 000)
FINANCIAL ASSETS		
Cash	23,737	22,539
Investments (Note 3)	1,203,586	1,060,961
Accounts receivable	85	219
	1,227,408	1,083,719
LIABILITIES AND ACCUMULATED SURPLUS		
Accounts payable	710	642
Repayable Provincial Allocations (Note 4)	1,185,450	1,063,348
	1,186,160	1,063,990
Net Financial Assets	41,248	19,729
Non-Financial Assets		
Deferred Commission Charges (Note 5)	32,178	34,539
Accumulated Surplus	73,426	54,268

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

Ontario Immigrant Investor Corporation

Statement of Operations
For the Year Ended March 31, 2012

	2012 ($ 000)	2011 ($ 000)
Revenue		
Interest income	37,795	36,890
	37,795	36,890
Expenses (Note 6)		
Amortization of deferred commission charges (Note 5)	16,204	14,657
Investment management fee (Note 3)	2,398	2,209
Administration (Note 6)	35	—
	18,637	16,866
Excess of Revenue over Expenses	19,158	20,024
Accumulated Surplus, beginning of year	54,268	68,963
Transfer to Consolidated Revenue Fund (Note 7)		(34,719)
Accumulated Surplus, end of year	73,426	54,268

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2012

	2012 ($000)	2011 ($ 000)
Excess of Revenue Over Expenses	19,158	20,024
Deferred Commission Costs Paid	(13,853)	(17,925)
Amortization of Deferred Commission Charges	16,204	14,657
Deferred Commission Refunded	10	22
Transfer to Consolidated Revenue Fund (Note 7)		(34,719)
Increase (Decrease) in Net Financial Assets	21,519	(17,941)
Net Financial Assets, beginning of year	19,729	37,670
Net Financial Assets, end of year	41,248	19,729

Ontario Immigrant Investor Corporation

Statement of Cash Flows
For the Year Ended March 31, 2012

	2012 ($ 000)	2011 ($ 000)
Cash provided by (used in) operating activities		
Interest received	147	267
Investment Management Fees paid	(2,204)	(2,292)
Administration	(26)	
	(2,083)	(2,025)
Cash (used in) provided by investing and financing activities		
Provincial allocations received net of commissions	205,162	240,520
Provincial allocations repaid	(96,772)	(124,304)
Provincial allocations refunded	(133)	(452)
	108,257	115,764
Investments matured	123,472	266,322
Investments purchased	(228,448)	(325,894)
	(104,976)	(59,572)
Transfer to Consolidated Revenue Fund (Note 7)	—	(34,719)
Net increase in cash	1,198	19,448
Cash, beginning of year	22,539	3,091
Cash, end of year	23,737	22,539

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2012

1. Nature of Corporation

The Ontario Immigrant Investor Corporation was established as a corporation without share capital on April 30, 1999 pursuant to Ontario Regulation 279/99 made under the *Development Corporations Act*.

The Corporation was established in order to participate in a federal Immigrant Investor Program (IIP). Under the IIP, each participating province established a vehicle to receive and invest immigrant investor dollars for the purposes of creating or continuing employment in Canada in order to foster the development of a strong and viable economy. Each participating province, in turn, guarantees immigrant investors that their investment will be repaid after five years with no interest.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

As the Corporation is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

(B) REVENUE RECOGNITION

Accrued interest is recognized as earned and amounts not yet received are included in the carrying value of investments.

(C) FINANCIAL INSTRUMENTS

A financial instrument is an asset or liability that will ultimately be settled in cash.

- Cash, accounts receivable and accounts payable are recorded at cost, which approximates fair value due to the short-term nature of these instruments.
- Investments are initially recorded at cost and subsequently recorded at cost plus accrued interest earned to date.
- Repayable provincial allocations are originally recorded at the actual amounts received and remain at those amounts until repaid due to the interest-free nature of the debt. They have not been discounted to reflect fair value.

(D) DEFERRED COMMISSION CHARGES

Deferred commission charges are amortized to expense on a straight-line basis over the same period as the related Repayable Provincial Allocation beginning in the fiscal year when the allocation is received.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2012

2. Significant Accounting Policies (Continued)

(E) USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

3. Investments

Prior to February 2011, the Corporation invested all of its allocations in fixed income securities issued by the Province of Ontario, maturing within five years. In general, zero-coupon bonds were purchased to align maturity dates to the Provincial Allocations repayment schedule provided in Note 4. As at March 31, 2012, these fixed income securities had a weighted-average yield of 3.45% (2011 – 3.67%).

In September 2010, in order to satisfy the requirements of the Federal Immigration Investor Program the Corporation approved a new investment strategy to direct a significant portion of allocations received to the Loan Program managed by Infrastructure Ontario (IO), a related party. Through its Loan Program, IO helps finance hundreds of infrastructure projects such as the construction of roads, bridges and facilities thereby fostering economic development and job creation.

In December 2010, the Corporation entered into an agreement with IO to direct a minimum of $12.5 million of the allocations to IO monthly, in exchange for promissory notes due five years from the date of the transfer at interest rates equal to the Province's cost of borrowing for similar terms. In February 2011, the Corporation started to advance funds to IO, and as at March 31, 2012 the promissory notes had a weighted-average interest rate of 2.30% (2011 – 2.99%).

The entire portfolio of investments is managed by the Ontario Financing Authority (OFA), a related party, in accordance with the terms and conditions set out in an agreement signed between the OFA, the Corporation and the Province. The OFA receives an investment management fee of 0.2% of the average par value or face value of the investments outstanding during the year for performing these services.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2012

3. Investments (Continued)

The investments balance which includes accrued interest is broken down as follows:

	March 31, 2012 Cost ($ 000)	March 31, 2012 Market ($ 000)	March 31, 2011 Cost ($ 000)	March 31, 2011 Market ($ 000)
Zero Coupon Bonds	963,734	991,496	1,029,750	1,049,218
IO Promissory Notes	216,414	219,159	31,211	30,910
Fixed Income Bonds	13,368	13,304		
Treasury Bills	10,070	10,073		
	1,203,586	1,234,032	1,060,961	1,080,128

The Corporation is exposed to interest rate risk whenever any funds received from immigrants are invested in fixed income securities because the future return and market value of the investments is dependent on the prevailing interest rates. However, there is very little exposure to fluctuating interest rates during the 5-year period of the repayable provincial allocations because the maturity of the fixed income investments matches the maturity of the repayable provincial allocations. It is management's opinion that the Corporation is not exposed to significant currency or credit risks arising from its financial instruments.

4. Repayable Provincial Allocations

The Corporation incurs long-term obligations from funds received under the federal Immigrant Investor Program in accordance with the terms and conditions set out in agreements signed in June 1999 and June 2011 between the federal Minister of Citizenship and Immigration and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Ontario's share of the funds (Provincial Allocation) to the Corporation. The Corporation will repay any Provincial Allocations received without interest at expiry of the Allocation Period, being five years from the date the Provincial Allocation was originally received. An investor's application for permanent residence may be withdrawn by the Investor or denied by the federal government. If this happens, the Provincial Allocation pertaining to the Investor is due and refunded by the Corporation within 90 days of written notification from the investor for repayment. Funds received pertaining to applications still being processed by the federal government are also considered repayable within 90 days.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2012

4. Repayable Provincial Allocations (Continued)

The Province guarantees the repayment of the Provincial Allocations when due. The repayment schedule on Provincial Allocations is as follows:

	($ 000)
Due 90 days on request	4,375
Due fiscal year 2013	216,109
Due fiscal year 2014	240,387
Due fiscal year 2015	251,635
Due fiscal year 2016	257,384
Due fiscal year 2017	215,560
	1,185,450

5. Deferred Commission Charges

The Corporation pays a commission to intermediaries for introducing new immigrant investors who successfully apply for permanent residence in Ontario under the federal Immigrant Investor program. If the application for permanent residence is withdrawn by the immigrant investor or denied by the federal government, the Corporation recovers the commission in the year when this occurs. The deferred charges represent the unamortized balance of the commissions.

	2012 ($ 000)	2011 ($ 000)
Balance, beginning of year	34,539	31,293
Commissions paid	13,853	17,925
Commissions recovered	(10)	(22)
Amortization	(16,204)	(14,657)
Balance, end of year	32,178	34,539

6. Administration Support Services

The Corporation entered into a contract with the Innovation Institute of Ontario for the provision of expert business support and strategic management services. Other administrative support, including accommodation, financial, legal and human resource services is provided by the Ministry of Economic Development & Trade without charge.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2012

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7. Transfer to Consolidated Revenue Fund

On March 30, 2011, the Corporation transferred $34.7 million in cash to the Consolidated Revenue Fund of the Province of Ontario. The cash was used by the Province to support funding commitments made by the Innovation Development Fund, which is administered by the Ministry of Research and Innovation (a related party) and provides funding to assist innovative companies to develop emerging technology. Future transfers may occur as more projects are approved.

INFRASTRUCTURE ONTARIO
RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Infrastructure and Lands Corporation have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by BDO Canada LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,

	Dale Lawr
Anthony Ross *Chair and Chief Executive Officer*	Dale M. Lawr *Chief Administrative Officer*

BDO

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Independent Auditor's Report

To the Directors of Ontario Infrastructure and Lands Corporation

We have audited the accompanying financial statements of Ontario Infrastructure and Lands Corporation, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Infrastructure and Lands Corporation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
June 21, 2012

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INFRASTRUCTURE ONTARIO
STATEMENT OF FINANCIAL POSITION
As at March 31, 2012 and 2011

(in thousands of dollars)

	March 31 2012	March 31 2011 Restated Note 22
Financial assets		
Cash and cash equivalents (Note 3)	$ 605,127	$ 835,474
Accounts receivable (Note 4)	72,777	72,761
Prepaid expenses	-	905
Interest receivable	47,593	37,304
Loans receivables (Note 5)	3,674,971	2,966,816
Projects receivables (Note 6)	125,427	94,783
Long-term investments (Note 7)	335,230	209,357
	4,861,125	4,217,400
Liabilities		
Accounts payable	13,543	15,565
Accrued liabilities	16,545	11,905
Interest payable	44,030	36,014
Deferred revenue	19,098	13,880
Provision for restructuring costs (Note 21)	1,323	6,288
OFA revolving credit facility (Note 8)	83,000	123,000
Debt – loan program (Note 9)	4,612,665	3,981,421
	4,790,204	4,188,073
Net financial assets	70,921	29,327
Non-financial assets		
Tangible capital assets (Note 10)	6,286	7,761
Deferred project costs (Note 11)	16,582	25,676
Deferred (revenue) costs on hedging	(5,812)	8,484
	17,056	41,921
Accumulated surplus	$ 87,977	$ 71,248

Contingencies (Note 16)
Commitments (Note 17)

See accompanying notes

Approved

Chair

Director, Chair Audit Committee

INFRASTRUCTURE ONTARIO
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the years ended March 31, 2012 and 2011
(in thousands of dollars)

	March 31 2012	March 31 2011 Restated Note 22
Revenue		
Loan interest	$ 121,043	$ 96,210
Investment income	20,143	16,218
Project delivery fees	64,700	65,652
Management fees	18,558	20,745
Recoverable costs	47,435	40,841
Funding appropriation	22,544	27,811
Other income	35	316
	294,458	267,793
Operating expenses		
Salaries and benefits	51,766	57,149
Communications	350	1,163
Information technology	4,750	5,845
Office and administration	2,297	3,430
Premises	4,749	4,212
Professional and consulting services	4,805	10,420
Depreciation and amortization	1,982	2,770
	70,699	84,989
Project delivery expenses		
Transaction costs	28,924	15,648
Ancillary costs	41,853	28,642
Interest on OFA credit facility	2,952	3,032
	73,729	47,322
Loan program expenses		
Loan valuation allowance	3,353	2,190
Interest expense on debt (Note 12)	128,337	100,529
Amortization – Hedge loss and debt issue costs	1,560	2,393
	133,250	105,112
Corporate development (recovery)	(818)	-
	(818)	-
Restructuring revenue (expenses)		
Loan remission revenue	-	200,319
Corporate restructuring expenses	(869)	(7,139)
	(869)	193,180
Surplus	16,729	223,550
Accumulated surplus (deficit), beginning of year as previously reported	74,428	(151,204)
Prior period adjustment (Note 22)	(3,180)	(1,098)
Accumulated surplus (deficit), beginning of year restated	71,248	(152,302)
Accumulated surplus, end of year	$ 87,977	$ 71,248

See accompanying notes

INFRASTRUCTURE ONTARIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the years ended March 31, 2012 and 2011
(in thousands of dollars)

	March 31 2012	March 31 2011 Restated Note 22
Surplus	$ 16,729	$ 223,550
(Acquisition)/disposal of tangible capital assets	(507)	321
Amortization of tangible capital assets	1,982	2,770
	1,475	3,091
Net deferred project and hedging costs	23,390	(4,397)
Net change in net financial assets	41,594	222,244
Net financial assets (debt) at beginning of year	29,327	(192,917)
Net financial assets at end of year	$ 70,921	$ 29,327

See accompanying notes

INFRASTRUCTURE ONTARIO
STATEMENT OF CASH FLOWS
For the years ended March 31, 2012 and 2011
(in thousands of dollars)

	March 31 2012	March 31 2011 Restated Note 22
Operating transactions		
Net surplus	$ **16,729**	$ 223,550
Items not requiring a current cash outlay:		
Loan remission revenue	**-**	(200,319)
Amortization of deferred concession costs	**(10,856)**	(11,689)
Other amortization	**3,542**	5,163
	9,415	16,705
Changes in non-cash working capital items:		
Increase in accounts and interest receivables and prepaid expenses	**(9,400)**	(47,788)
Increase in accounts and interest payables and deferred revenue	**10,887**	26,516
Increase in projects receivables and deferred project costs	**(21,550)**	(26,754)
Cash applied to operating transactions	**(10,648)**	(31,321)
Capital transactions		
Net (acquisition) disposal of tangible capital assets	**(507)**	321
Cash (applied to) provided by capital transactions	**(507)**	321
Investing transactions		
Net increase in loans receivable	**(697,299)**	(737,684)
Cash applied to investing transactions	**(697,299)**	(737,684)
Financing transactions		
Repayment of OFA revolving credit facility	**(40,000)**	-
Net debt issues	**643,980**	816,658
Net change in long term investments	**(125,873)**	33,838
Cash provided by financing transactions	**478,107**	850,496
Net (decrease) increase in cash and cash equivalents	**(230,347)**	81,812
Cash and cash equivalents, beginning of the year	**835,474**	753,662
Cash and cash equivalents, end of the year	$ **605,127**	$ 835,474

See accompanying notes

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

NATURE OF THE CORPORATION

On June 6, 2011 pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011, Ontario Infrastructure Projects Corporation (OIPC), Ontario Realty Corporation (ORC) and Stadium Corporation of Ontario Limited (STADCO) were amalgamated and continued as a corporation without share capital under the name of Ontario Infrastructure and Lands Corporation (Infrastructure Ontario/Agency). Infrastructure Ontario is a Crown Corporation reporting to the Minister of Infrastructure and is classified by the Province of Ontario (Province) as an operational enterprise.

OIPC and ORC were under the common control of the Ministry of Infrastructure (MOI) prior to the amalgamation and provided advice and services, including property management, project management, contract management and development, related to public works. STADCO was under the control of the Ministry of Finance and held the Province of Ontario's interest in certain land leases under and adjacent to the Rogers Stadium and owned a parking lot adjacent to the Rogers Stadium. STADCO's assets, including its interest in the land leases and the parking lot, liabilities and operations were transferred to the MOI General Real Estate Portfolio prior to the amalgamation.

The mandate of Infrastructure Ontario includes the following:

- To provide financing for infrastructure purposes to municipalities and to eligible public organizations;
- To provide the Government with advice and services, including project management, contract management and development, related to public works;
- To provide financial management for public works managed by the Ministry or by a Crown agency for which the Minister is responsible;
- To carry out the powers, duties and functions delegated by the Minister to the Corporation under the Ministry of Infrastructure Act, 2011;
- To provide advice and services related to real property to public sector organizations when directed to do so in writing by the Minister;
- To advise the Minister on infrastructure projects in Ontario, when directed to do so in writing by the Minister;
- To advise the Minister on financial, strategic or other matters involving the Government, when directed to do so in writing by the Minister;
- To implement or assist in the implementation of transactions involving the Government, when directed to do so in writing by the Minister;
- To provide project management and contract management services related to infrastructure projects in Ontario that are not public works, when directed to do so in writing by the Minister; and
- To undertake any additional objects as directed by the Minister of Infrastructure.

The Agency manages 47.0 million rentable square feet: 35.9 million owned by the Province and 11.1 million leased from the private sector, as well as 97,123 acres of land owned by the Province (General Real Estate Portfolio).

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act of Canada. Infrastructure Ontario has been added to Schedule A of the Canada Ontario Reciprocal Taxation Agreement and is exempt from the Goods and Services Tax. As of July 1, 2010, Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The financial statements have been prepared based on the continuity of interests' principle with respect to OIPC and ORC which requires the continuing entity, Infrastructure Ontario, to report the current and comparative financial statements as if the two entities had been combined since inception. OIPC and ORC had complementary operating mandates prior to the amalgamation, which are being continued by Infrastructure Ontario. All assets and liabilities were transferred to Infrastructure Ontario.

Since STADCO divested itself of its assets, liabilities and operations to MOI prior to amalgamation and brought no assets, liabilities or operations into the amalgamated agency, STADO is accounted for using the purchase method of accounting, with no purchase price paid, no assets acquired and no liabilities assumed.

Accordingly, the current and comparative year financial statements include the entire year of operations for Infrastructure Ontario, OIPC and ORC, but not STADCO, after adjusting for any amounts owing among the entities.

Management estimates
The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Key areas where management has made estimates are in the percentage of completion on project revenues and costs and the loan portfolio valuation allowance. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

Cash and cash equivalents
Cash and cash equivalents include cash on deposit and highly liquid investments with a term to maturity of three months or less.

Loans receivables
Loans receivables are stated at their estimated net realizable value.

Loans with concessionary terms are discounted using Infrastructure Ontario's cost of borrowing to determine the present value of the loan. The difference between the face value of the loan and its present value is, in substance, a grant. Only the 2003-04 program loans were issued with concessionary terms. Loans with concessionary terms are recorded at face value discounted by the amount of the grant portion. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Loan portfolio valuation allowance
The loan portfolio valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans. The valuation allowance consists of a general allowance which is reviewed on a regular basis.

The valuation allowance is established against the loan portfolio where prudent assessment by Infrastructure Ontario of existing economic, industry and portfolio conditions indicate that valuation may be impaired or losses occur. The valuation allowance is underpinned by a risk rating process in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A number of factors are considered when determining the appropriate level of the valuation allowance, including sensitivity to risk ratings, industry sectors, portfolio quality, business mix, and economic and credit market conditions.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

Tangible capital assets

Tangible capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer hardware and equipment	3 years
Furniture, fixtures and office equipment	3 – 10 years
Leasehold improvements	5 – 10 years

Impairment of assets

The Agency reviews the carrying value of long-lived assets for potential impairment when there is evidence that events or changes in circumstances exist that indicate the carrying value might not be recoverable. The recoverability of long-lived assets is determined by evaluating whether the carrying value of such assets can be recovered from estimated undiscounted future operating cash flows. When an asset is impaired, according to the foregoing test, an impairment loss is measured and recognized as the excess of the carrying value of the asset over its fair value. No such impairment losses have been incurred to date.

Deferred project costs

Deferred project costs represent direct and overhead costs attributable to projects that have not yet reached the construction phase. The pre-construction costs include legal advisors, technical advisors, staff costs and administrative overhead and interest.

Revenue recognition

Loan interest

Interest on investments and loans receivables are recognized using the effective interest rate method.

Project delivery fees

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded as costs are incurred. Revenue from fixed price contracts is recorded using the percentage-of-completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs for projects that have reached the construction phase. Losses, if any, on fixed price contracts are recognized during the period they are identified.

Revenue relating to reimbursable costs for fixed price contracts are recorded when the projects reach the construction phase.

Management fees

Management fees are recognized as revenue when services are provided.

Recoverable costs

Recoverable costs are recognized as revenue when the related expenses are incurred.

Funding appropriation

Infrastructure Ontario receives funding from the Ministry of Infrastructure (MOI) in relation to in-year corporate expenses. The funding is recorded as unearned revenue until the corporate expenses have been incurred. Once the corporate expenses are incurred, the funding is recognized as revenue.

Rent expense

Rental expense is recorded based on terms in the lease agreements.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

Accounting for derivatives

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of long term debt and providing financing to public bodies. To manage this interest rate risk, Infrastructure Ontario utilizes financial instruments with characteristics similar to a hedge. Infrastructure Ontario purchases Province of Ontario bonds with terms similar to its long term debt. Infrastructure Ontario has formally documented its risk management objective and strategy, including relationships between the hedging instrument and the hedged item.

The hedging instruments are classified under long-term investments. Gains and losses resulting from hedging activities are deferred and amortized to operations on a straight line basis over the term of the underlying debt, with maturities ranging from August 2012 to June 2041.

Infrastructure Ontario has chosen not to adopt hedge accounting for its interest rate swaps as described in note 2.

2. RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

Infrastructure Ontario employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives"). Infrastructure Ontario does not use derivatives for speculative purposes.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being borrower and lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. The hedges are created through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with more desirable characteristics. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments. Swap interest charges are netted against Loan Program revenue.

All swap transactions have been completed with the Ontario Financing Authority (OFA) as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction. The OFA, as intermediary, has entered into concurrent contracts with third party financial institutions under the same terms and bears the credit risk of the swap transactions.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2012, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Balance Sheet. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

Maturity	Within 1 Year	2 to 5 Years	6 to 10 Years	11 to 15 Years	Over 15 Years	Total Notional Value
($,000,000)						
Debt	-	1,311	653	87	607	2,658
Loans receivables	197	775	899	684	648	3,203

3. CASH AND CASH EQUIVALENTS

($,000)	March 31, 2012	March 31, 2011
Cash	$ 8,889	$ 50,778
Short term investments	596,238	784,696
	$ 605,127	$ 835,474

Short term investments include money market investments recorded at cost, which approximate market value. At March 31, 2012 the interest rates on these investments ranged from 0.99% to 1.24% (2011 - 0.95% to 1.36%).

4. ACCOUNTS RECEIVABLE

($,000)	March 31, 2012	March 31, 2011
Trade accounts receivable	$ 879	$ 6,182
HST/GST	4,153	4,984
MOI grant	-	5,265
MCSCS recoveries – OPP Modernization	3,633	-
MOI recoveries – Pan/Parapan American Games	-	17,090
Project recoveries	63,826	39,012
Other receivables	286	228
	$ 72,777	$ 72,761

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

5. LOANS RECEIVABLES

($,000)	March 31, 2012		March 31, 2011	
Construction advances				
Infrastructure renewal loan program	$ 520,342		$ 460,325	
Total	520,342		460,325	
Debentures receivables		**Interest %**		Interest %
Concessionary loan program				
Maturity within 5 years	-		280	1.87-2.31
6 to 10 years	118,233	2.06-2.71	143,347	2.06-2.71
11 to 15 years	52,632	2.28-2.67	57,875	2.28-2.67
16 to 20 years	349,383	2.36-2.95	371,530	2.36-2.95
Greater than 20 years	72,521	2.08-3.05	75,058	2.52-3.05
	592,769		648,090	
Infrastructure renewal loan program				
Maturity within 5 years	-		46,821	1.48-5.07
6 to 10 years	335,437	2.56-5.20	272,151	2.91-5.20
11 to 15 years	467,538	3.11-5.37	304,355	3.71-5.37
16 to 20 years	849,264	3.41-5.89	620,329	3.81-5.89
Greater than 20 years	1,001,331	1.87-5.91	715,801	3.97-5.91
	2,653,570		1,959,457	
Total	3,246,339		2,607,547	
Deferred costs on concessionary loans				
Deferred costs on concessionary loans, beginning of year	(98,866)		(110,555)	
Amortization concession costs	10,856		11,689	
Deferred costs on concessionary loans, end of year	(88,010)		(98,866)	
Loan valuation allowance	(3,700)		(2,190)	
Loans receivables	$ 3,674,971		$ 2,966,816	

Construction advances are receivable from municipalities, universities, and other public bodies. The interest rate on these construction loans, is one half of the average of Prime and 30 day Bankers' Acceptances on the concessionary loan program and 30 day Bankers' Acceptances plus ten basis points on the infrastructure renewal loan program.

Debentures receivables are due from municipalities, universities and other public bodies, with terms ranging from 5 to 40 years.

Infrastructure Ontario has mitigated its credit risk with the current loan portfolio. The Agency has an intercept mechanism with the Province which allows for funds owing to a borrower that receives funding from the Province to be redirected to Infrastructure Ontario. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower may be required to provide security agreements and loan insurance.

At March 31, 2012 management reviewed its portfolio of loans and determined it prudent to increase the loan valuation allowance against the portfolio.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

6. PROJECTS RECEIVABLES

Projects receivables are expense recoveries, recognized either when the expenses occurred or on a percentage-of-completion method. Certain projects receivables, including interest costs to finance the receivables, will not be billed until the completion of the project. Projects receivables are due from various Ontario Ministries.

7. LONG-TERM INVESTMENTS

Long-term investments consist of bonds utilized as hedging instruments as described in Note 1, which are carried at cost. At March 31, 2012 the interest rates on these investments ranged from 1.90% to 5.20% (2011 - 3.00% to 5.75%) and maturities from August 2012 to June 2041.

8. OFA REVOLVING CREDIT FACILITY

The Ontario Financing Authority (OFA), an agency of the Province of Ontario, provides Infrastructure Ontario with a subordinated revolving credit facility of up to $200 million to provide working capital for the Project Delivery Program. Advances are to be repaid upon completion of individual AFP projects. At March 31, 2012, Infrastructure Ontario had drawn $83 million (2011 - $123 million) on the line of credit, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 1.98% to 2.64% (2011 – 1.98% to 4.00%), with maturities from December 2012 to April 2014.

Infrastructure Ontario enacted a new borrowing by-law effective June 6, 2011 extending the Agency's authorization to borrow funds until June 29, 2016 and extending the mandatory repayment date for all borrowings to June 29, 2019. Subsequently, Infrastructure Ontario and OFA entered into an amending agreement extending the date to which Infrastructure Ontario may borrow funds until June 29, 2016 and extending the mandatory repayment date to June 29, 2019.

9. DEBT – LOAN PROGRAM

($,000)	**March 31, 2012**	March 31, 2011
Commercial paper	**$ 604,149**	$ 739,114
Infrastructure renewal bonds	**1,250,000**	1,250,000
OIPC bonds	**1,635,000**	1,050,000
Province of Ontario loan	**799,681**	799,681
Ontario Clean Water Agency loan	**120,000**	120,000
Ontario Immigrant Investor Corporation loans	**213,257**	31,110
	4,622,087	3,989,905
Debt issue costs	**(9,422)**	(8,484)
	$ 4,612,665	$ 3,981,421

Commercial Paper
Infrastructure Ontario issues notes under a commercial paper program. The funds are used for short-term funding requirements including cash management, financing assets and general operating requirements. The program is authorized to issue a maximum of $750 million for terms of up to one year. During the year, interest on the notes ranged from 1.03% to 1.18% (2011 – 1.09% to 1.17%). As of March 31, 2012, maturities ranged from April 2012 to June 2012.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

Infrastructure Renewal Bonds

Infrastructure Ontario assumed $650 million of Infrastructure Renewal Bonds, on the date of amalgamation with OSIFA. The bonds bear interest at 4.60% per annum and mature on June 1, 2015.

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

On August 26, 2008, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 3.95% per annum and mature on June 3, 2013.

OIPC Bonds

Infrastructure Ontario issues bonds to the Province of Ontario for the purpose of funding its loan program. The bonds are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario. The bonds bear interest from 2.02% to 4.96% (2011 – 2.75% to 4.96%) per annum and maturities range from September 2014 to June 2041. Interest is paid semi-annually on these bonds until maturity.

Province of Ontario Loan

The Province of Ontario provides Infrastructure Ontario with a fifty-year subordinated loan of approximately $800 million in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly. March 31, 2012 interest on the note was reset at 0.99% (2011 - 1.01%).

Ontario Clean Water Agency Loan

The Ontario Clean Water Agency (OCWA), an agency of the Province of Ontario, provides a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest rate on the note is reset monthly at four basis points below the average one month Canadian Dollar Offered Rate, payable quarterly. March 31, 2012 interest on the note was reset at 1.16% (2011 - 1.20%).

The Province of Ontario and OCWA loans provide: (i) credit protection to investors in unsubordinated debt such as Infrastructure Renewal Bonds and Commercial Paper (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating.

Ontario Immigrant Investor Corporation Loans

Ontario Immigrant Investor Corporation (OIIC), an agency of the Province of Ontario, provides five-year subordinated loans. The loans are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario. The loans bear interest from 1.55% to 3.05% (2011 – 2.99% - 3.01%) per annum and maturities range from January 2016 to February 2017. Interest is paid semi-annually on these loans until maturity.

Debt issue costs

Debt issue costs incurred on the sale of Infrastructure Renewal Bonds & Ontario Infrastructure Projects Corporation (OIPC) Bonds are netted against the related debt and are being amortized on a straight line basis over the life of the bond issues using the effective interest method.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

10. TANGIBLE CAPITAL ASSETS

($,000)		Cost	Accumulated Amortization	Net March 31, 2012		Net March 31, 2011
Computer equipment	$	17,028	16,108	920	$	1,567
Furniture and fixtures		1,984	1,577	407		525
Leasehold improvements		9,828	4,869	4,959		5,669
	$	28,840	22,554	6,286	$	7,761

11. DEFERRED PROJECT COSTS

Deferred project costs represent the accumulation of project expenses incurred for projects that have not yet reached the construction phase. Once the project reaches the milestone, revenue and its related expense will be recognized in that fiscal year. Deferred project costs also include costs incurred by corporate development during the due diligence phase of its projects for recovery at completion.

12. INTEREST EXPENSE ON DEBT

($,000)		March 31, 2012		March 31, 2011
Commercial Paper	$	7,415	$	5,777
Infrastructure Renewal Bonds		56,160		55,850
OIPC Bonds		52,149		31,915
Province of Ontario loan		8,157		5,811
Ontario Clean Water Agency loan		1,401		1,075
Ontario Immigrant Investor Corporation loans		3,055		101
	$	128,337	$	100,529

13. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as 52% of its revenue for the year ended March 31, 2012 is received from the Province for the provision of services to various Ontario Crown Agencies and Ministries, including the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Children and Youth Services, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, and the Ministry of Transportation, in addition to MOI.

The Corporation's prime sources of revenue from the Province are:

1. Project delivery fees
   Market-based fees based on a percentage of project costs are charged for services, including project management, contract management and development related to public works, provided to various Ministries.

2. Management fees
   Market-based fees based on a percentage of project costs are charged for services, including property and project management, provided to the General Real Estate Portfolio for MOI.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

3. Recoverable costs
   Certain projects and services are provided to MOI and other Ministries on a cost recovery basis.

4. Funding appropriation
   Infrastructure Ontario receives funding from MOI to cover corporate expenses.

Infrastructure Ontario has interest bearing loans from the OCWA, the Province of Ontario, OIIC and the OFA (Notes 9 and 12).

Infrastructure Ontario has incurred costs for services of the OFA of $0.92 million (2011 - $1.1 million).

14. FUTURE EMPLOYEE BENEFITS

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province of Ontario. The cost of the pension plan of $0.54 million (2011 - $0.71 million) is based on formulas set by the Ontario Pension Board and has been expensed. In addition, for these employees the cost of post-retirement, non-pension employee benefits is paid by the Ministry of Government Services and is not included in the financial statements.

The Agency provides a defined contribution pension plan for all other full-time employees. For the year ended March 31, 2012, two defined contribution pension plans were in place: one for the employees of the each of the predecessor entities OIPC and ORC, with new employees joining the OIPC plan. Each plan has different employee and Agency contributions. The Agency merged the defined contribution pension plans on April 1, 2012.

The cost of this plan for the year ended March 31, 2012 was $1.97 million (2011 - $2.02 million).

15. FINANCIAL INSTRUMENTS

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and interest payable approximate their fair values because of the short-term maturity of these instruments.

The Agency earns interest on loans receivable, short and long-term investments and pays interest on short and long-term debt. To the extent that these financial instruments mature or reprice at different points in time, the Infrastructure Ontario is exposed to interest rate risk. Management actively manages the maturities of these financial assets and liabilities to mitigate this risk including utilizing interest rate swap arrangements as detailed in note 2.

16. CONTINGENCIES

Infrastructure Ontario, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2012, Infrastructure Ontario was not aware of any such proceedings in process.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

17. COMMITMENTS

Loan Program:

($,000)

Program year		Approved Financing		Funds Advanced
2004 - 2005	$	582,000	$	466,000
2005 - 2006		319,000		261,000
2006 - 2007		49,000		40,000
2007 - 2008		434,000		393,000
2008 - 2009		648,000		595,000
2009 - 2010		1,035,000		857,000
2010 - 2011		962,000		523,000
2011 - 2012		826,000		501,000
	$	4,855,000	$	3,636,000

Minimum base rent annual payments under operating leases for the Agency's office space and vehicles for the next five years:

($,000)

Fiscal year		Amount
2012 - 2013	$	2,371
2013 - 2014		2,334
2014 - 2015		2,366
2015 - 2016		2,007
2016 - 2017		1,799
Thereafter		1,138
	$	12,015

18. FUNDS HELD IN TRUST

Infrastructure Ontario maintains several operating bank accounts and one short-term investment account, which it holds in trust and administers on behalf of MOI. The accounts relate directly to the operations of the MOI General Real Estate Portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for MOI at March 31, 2012 are $166.2 million (2011 - $115.4 million).

Infrastructure Ontario is required by the Canadian Mortgage of Housing Corporation (CMHC) to collect property taxes and reserve funds as a condition of providing affordable housing loans. As part of the CHMC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. At March 31, 2012 the funds under administration are $0.66 million (2011 - $0.03 million).

Infrastructure Ontario administers funds as an agent of the Ministry of Children and Youth Services relating to the Roy McMurtry Youth Centre project. Infrastructure Ontario acts as trustee for this account as specified in the agreement. The funds are enabled Infrastructure Ontario to make the final construction payment to the construction consortium on behalf of the ministry. At March 31, 2012, the funds under administration are $0.63 million (2011 - $0.60 million), which represents the balance of the holdback on the payment to the construction consortium.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

At March 31, 2011, Infrastructure Ontario held $50 million as an agent of the Ministry of Community Safety and Correctional Services relating to the Toronto South Detention Centre project. In April 2011, these funds were paid to the construction consortium on behalf of the ministry. As of March 31, 2012, the funds under administration are $nil (2011 - $50 million).

Trust funds under administration are excluded from the financial statements of the Agency.

19. ECONOMIC DEPENDENCE

As disclosed in Note 13, Infrastructure Ontario is economically dependent on the Province of Ontario as the majority of revenue is from services provided to various Ministries of the Province.

Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a fifty-year loan, Infrastructure Ontario is considered a going concern.

20. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed and how operations are classified for planning and measuring performance. The table below is a summary of financial information by segment:

	Year ended March 31, 2012					
($,000)	Major Projects	Lending	Real Estate Management	Ontario Lands	Corporate Development	Total
Revenues						
Loan interest	$ -	$ 121,043	$ -	$ -	$ -	$ 121,043
Investment income	-	20,143	-	-	-	20,143
Project delivery fees	64,700	-	-	-	-	64,700
Management fees	-	-	18,558	-	-	18,558
Recoverable costs	41,853	100	3,896	1,586	-	47,435
Funding appropriation	-	-	9,144	13,400	-	22,544
Other income	35	-	-	-	-	35
	106,588	141,286	31,598	14,986	-	294,458
Expenses						
Salaries and benefits	19,232	3,829	22,043	6,074	588	51,766
General and administration	6,777	2,577	7,499	1,850	230	18,933
Program expenses (recovery)	73,729	133,250	-	-	(818)	206,161
	99,738	139,656	29,542	7,924	-	276,860
Restructuring - Loan remission revenue	-	-	-	-	-	-
Operating Surplus (Loss)	6,850	1,630	2,056	7,062	-	17,598
Corporate restructuring expenses	-	-	-	-	-	869
Surplus	-	-	-	-	-	16,729

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

	Year ended March 31, 2011 Restated Note 22					
($,000)	Major Projects	Lending	Real Estate Management	Ontario Lands	Corporate Development	Total
Revenues						
Loan interest	$ -	$ 96,210	$ -	$ -	$ -	$ 96,210
Investment income	-	16,218	-	-	-	16,218
Project delivery fees	65,652	-	-	-	-	65,652
Management fees	-	-	20,745	-	-	20,745
Recoverable costs	28,642	-	10,516	1,683	-	40,841
Funding appropriation	4,739	527	9,145	13,400	-	27,811
Other income	-	-	237	79	-	316
	99,033	112,955	40,643	15,162	-	267,793
Expenses						
Salaries and benefits	18,553	3,061	26,873	8,662	-	57,149
General and administration	8,439	2,736	13,910	2,755	-	27,840
Program expenses (recovery)	47,322	105,112	-	-	-	152,434
	74,314	110,909	40,783	11,417	-	237,423
Restructuring - Loan remission revenue	-	200,319	-	-	-	200,319
Operating Surplus (Loss)	24,719	202,365	(140)	3,745	-	230,689
Corporate restructuring expenses	-	-	-	-	-	7,139
Surplus	-	-	-	-	-	223,550

21. RESTRUCTURING EXPENSES

Debt Restructuring

On July 28, 2010, Infrastructure Ontario was granted a remission of $200 million on the Province of Ontario loan, which reduced Infrastructure Ontario's obligation on the loan from $1 billion to approximately $800 million. The remission was recorded as revenue and a reduction in the Province of Ontario Loan.

Corporate Restructuring

As discussed in Note 1, OIPC, ORC and STADCO amalgamated effective June 6, 2011, continuing as Ontario Infrastructure and Lands Corporation.

Infrastructure Ontario recognized $7.1 million in costs related to the merger as at March 31, 2011, including severance costs of $6.4 million and leasehold write offs of $0.7 million.

IO incurred additional restructuring expenses during the year related to the integration of the predecessor agencies in the amount of $0.87 million.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2012 and 2011

	March 31, 2012			March 31, 2011		
($,000)	**Corporate Restructuring**	**Regional Property Management Restructuring**	**Total**	Corporate Restructuring	Regional Property Management Restructuring	Total
Balance beginning of year	**$ 6,241**	**$ 47**	**$ 6,288**	$ -	$ 920	$ 920
Increase (Decrease) in provision	**-**	**(1)**	**(1)**	7,102	37	7,139
Leasehold write offs	**-**	**-**	**-**	(748)	-	(748)
Severance payments	**(4,918)**	**(46)**	**(4,964)**	(113)	(910)	(1,023)
Balance end of year	**$ 1,323**	**$ -**	**$ 1,323**	$ 6,241	$ 47	$ 6,288

22. PRIOR PERIOD ADJUSTMENT

During the year, management determined that the amortization of premiums related to long-term bonds purchased in 2009 and 2010 had not been accurately reflected in the financial statements. The correction has been accounted for retroactively and has the following effect on the comparative financial statements:

	March 31, 2012	March 31, 2011
Increase in amortization – hedge loss and debt issue costs	**$ -**	$ 2,082
Decrease in accumulated surplus	**3,180**	1,098
Decrease in long term investments	**-**	3,180

23. SUBSEQUENT EVENTS

Issuance of Debt

Subsequent to March 31, 2012, Ontario Immigrant Investor Corporation provided four 5-year subordinated loan totaling $25 million. The loans bear interest from 1.55% to 2.33% per annum and maturities range from March 27, 2017 to April 24, 2017.

Infrastructure Ontario also issued one OILC bond to the Province of Ontario in the amount of $50 million for the purpose of funding its loan program. The bond bears interest of 3.18% per annum and matures on June 2, 2022. Interest is paid semi-annually on the bond until maturity.

24. COMPARATIVE FIGURES

The comparative figures have been reclassified to reflect the current presentation.

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Municipal Affairs
and Housing

Ontario Mortgage and
Housing Corporation

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Ministère des
Affaires municipales
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Societe ontarienne
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Ontario

Ontario Mortgage and
Housing Corporation
Société ontarienne
d'hypothèques et de logement

Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 20, 2012.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Alison Coke
Chief Executive Officer

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Independent Auditor's Report

To the Ontario Mortgage and Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the accompanying financial statements of Ontario Mortgage and Housing Corporation, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations and accumulated deficit, and cash flow for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Mortgage and Housing Corporation as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations and accumulated deficit, and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Future of the Corporation

While not impacting my opinion, I draw attention to Note 15, which describes the uncertainty related to the potential merger with the Ontario Mortgage Corporation.

Peall

Toronto, Ontario
June 20, 2012

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statements of Financial Position
As at March 31, 2012

		March 31 2012	March 31 2011	April 1 2010
			(thousands of dollars)	
Financial Assets				
Cash		2,147	1,020	727
Accrued Interest from Universities & Colleges		235	256	275
Due from Province of Ontario		9,960	11,785	11,975
Investments in Properties	(Note 4)	14,545	15,852	17,079
Non-Profit Housing Fund	(Note 5)	31,644	95,790	923,680
		58,531	124,703	953,736
Liabilities				
Accounts Payable and Accrued Liabilities	(Note 6)	11,987	12,786	12,699
Long-Term Debt	(Note 7)	586,792	640,986	692,968
Non-Profit Housing Fund	(Note 5)	31,644	95,790	923,680
		630,423	749,562	1,629,347
Net Debt and Accumulated Deficit		(571,892)	(624,859)	(675,611)
Contingent Liabilities	(Note 8)			

The accompanying notes are an integral part of these financial statements

On Behalf of the Board:

Janet Hope, Chair

Alison Coke, Chief Executive Officer

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Operations and Accumulated Deficit
For the year ended March 31, 2012

		Budget (Note 14)	2012	2011
			(thousands of dollars)	
Revenues				
Subsidies from Province:				
Debt Service Obligations		93,706	93,706	95,123
Interest Differential in Non-Profit Housing Fund		15	-	7,195
Bursary Program	(Note 9)	1,150	883	800
Environmental Remediation	(Note 8)	540	3,360	1,106
Sundry		-	7	-
Interest received from Student Housing		-	982	1,062
Miscellaneous		72	85	-
Total Revenues		**95,483**	**99,023**	**105,286**
Expenses				
Debentures Interest:				
Devolved Properties		40,819	40,819	44,368
Interest Differential in Non-Profit Housing Fund		15	-	7,195
Student Housing		-	982	1,062
Bursary Program	(Note 9)	1,150	888	800
Environmental Remediation	(Note 8)	540	3,360	1,106
Miscellaneous		72	7	3
Total Expenses		**42,596**	**46,056**	**54,534**
Excess of Revenues over Expenses	(Note 10)	**52,887**	**52,967**	**50,752**
Accumulated Deficit, Beginning of Year		(624,859)	(624,859)	(675,611)
Accumulated Deficit, End of Year		**(571,972)**	**(571,892)**	**(624,859)**

The accompanying notes are an integral part of these financial statements

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Cash Flow
For the year ended March 31, 2012

	2012	2011
	(thousands of dollars)	
Operating transactions		
Annual Surplus	52,967	50,752
Collection of Interest for Ontario Student Housing	21	19
Collection of Long-Term Debt from the Province	1,825	190
Increase/(Decrease) in Accounts Payable and Accrued Liabilities	(799)	87
Cash provided by operating transactions	54,014	51,048
Financing Transactions		
Collection of Ontario Student Housing Long-Term Debt	1,307	1,227
Collection of Non-Profit Housing Fund Debt		
– Province	34,528	722,333
– University and Colleges	29,618	105,557
Long-Term Debt Repayment		
– Province	(5,853)	(5,639)
– CPP	(48,341)	(46,343)
Non-Profit Housing Fund Debt Repayment		
– CPP	(64,146)	(827,890)
Cash applied to financing transactions	(52,887)	(50,755)
Increase in Cash	1,127	293
Cash Balance at Beginning of Year	1,020	727
Cash Balance at End of Year	2,147	1,020

The accompanying notes are an integral part of these financial statements.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

1. Nature of Operations

Under the Social Housing Reform Act 2000, the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations ("LHCs") which are controlled by Municipal Services Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, the Non-Profit Housing Fund ("NPHF"), and contingent liabilities. The Ontario Ministry of Municipal Affairs and Housing ("the Ministry") provides the Corporation with subsidies to cover its debt service payments and other expenses.

2. Conversion to Public Sector Accounting Standards

Commencing with the fiscal year 2012, the Ontario Mortgage and Housing Corporation has adopted Canadian Public Sector Accounting ("PSA") standards. These financial statements are the first financial statements for which the Corporation has applied Canadian Public Sector Accounting standards.

Other than financial statement presentation, the financial balances are not affected by this transition. Therefore, no retroactive restatement is needed.

3. Significant Accounting Policies

Significant accounting policies followed by the Corporation are summarized below:

(A) BASIS OF ACCOUNTING

These financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board.

(B) REVENUES

Subsidies from the Province are accounted for as revenue, and revenue is recognized when the related expenses are incurred.

(C) EXPENSES

Expenses are reported on an accrual basis as incurred. These expenses include debt servicing cost such as interest expenses, costs relating to Dr. Albert Rose bursary program, and environmental remediation costs for properties formerly owned by the Corporation.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

3. Significant Accounting Policies (Continued)

(D) FINANCIAL INSTRUMENTS

- Cash and Cash Equivalents

  Cash and cash equivalents include only cash on hand.

- Loans and Receivables

  Accrued Interest and Mortgages to Universities and Colleges (NPHF – note 5), Investments in Properties, and Loans to the Province (NPHF – note 5) are measured at amortized cost.

- Debt and other Financial Liabilities

  Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 7) and Canada Pension Plan Investment Fund Debentures (NPHF – note 5), are measured at amortized cost.

  Accounts Payable and Accrued Liabilities (note 6) and Interest Payable (NPHF – note 5) are measured at cost.

(E) ACCUMULATED DEFICIT

The Accumulated Deficit that resulted from the transfer of properties to LHC's for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principle payments on the Corporation's long-term debt.

(F) STATEMENT OF CHANGES IN NET DEBT

A Statement of Changes in Net Debt has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements.

4. Investments in Properties

The Corporation's investments in properties are as follows:

	March 31, 2012	March 31, 2011	March 31, 2010
	($ 000)	($ 000)	($ 000)
Student Housing	14,545	15,852	17,079

This investment represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, title to the properties will be transferred to the respective institutions.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

4. Investments in Properties (continued)

	March 31, 2012	March 31, 2011	April 1, 2010
	($ 000)	($ 000)	($ 000)
Original Cost	35,115	35,115	35,115
Less: Accumulated Capital Repayments	20,570	19,263	18,036
	14,545	15,852	17,079

5. Non-Profit Housing Fund

The Province authorized the Corporation to borrow funds from the Canada Pension Plan ("CPP") Investment Fund and loan the funds as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units. The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures – weighted average rate of 9.6% (2011 – 10.6%).

The majority of the CPP funds were initially loaned to non-profit housing corporations. However, during 1993-2000, these loans were refinanced in the private sector and, because the debentures could not be repaid ahead of their maturity dates, the funds were loaned to the Province. The CPP debentures have corresponding loans receivable with the same maturity dates and the Fund will be wound up in July 2012 when all loans receivable and debentures have matured.

The maturity dates of the remaining debentures are as follows:

Debenture No.	Amount ($ 000)	Maturity Date
CP-20	7,000	5-Jun-2012
CP-21	23,900	10-Jul-2012
	30,900	

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

5. Non-Profit Housing Fund (Continued)

The Fund consisted of:

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
Assets			
Cash	38	36	1,404
Loans to Province of Ontario	6,561	39,943	734,823
Mortgages to Universities and Colleges	24,339	52,957	152,534
Interest Receivable	706	2,854	34,919
	31,644	95,790	923,680
Liabilities and Fund Balance			
Canada Pension Plan Investment Fund	30,900	92,900	887,357
Interest Payable	706	2,854	36,287
Fund Balance	38	36	36
	31,644	95,790	923,680

The interest rates on the mortgages to universities and colleges are the same as those payable on the Corporation's corresponding debentures. In prior years, the interest rates on the loans to the Province reflect the lower rates in effect at the time they were made and as such the interest payments were not sufficient to service the debentures. As a result, the Corporation received an interest differential subsidy from the Ministry to cover the shortfall. In the current year, the interest rate on the loans to the Province approximates the Corporation's corresponding debentures.

Details of the transactions related to the fund balance are as follows:

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
Balance – Beginning of the Year	36	36	38
Interest Earned – Loans, Mortgages, Bank	5,906	49,559	112,454
Interest Differential Subsidy from the Ministry	—	7,195	16,467
Interest Paid on CPP Debentures	(5,903)	(56,754)	(128,923)
Payment to Ministry	(1)	—	—
Balance – End of year	38	36	36

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

6. Accounts Payable and Accrued Liabilities

The majority of the Accounts Payable and Accrued Liabilities balance is comprised of accrued interest payable on the Corporation's Long-Term Debt.

7. Long Term Debt

Long term debt is comprised of the following:

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
Canada Mortgage and Housing Corporation	524,931	573,271	619,615
Loans Repayable to the Province	61,861	67,715	73,353
	586,792	640,986	692,968

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation ("CMHC") and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province have been reclassified as Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance. The interest expense is included in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ontario Ministry of Municipal Affairs and Housing.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the weighted average rates are 6.45% and 7.1% respectively (2011 – 6.5% and 7% respectively). Interest expense for March 31, 2012 totaled $41.8 million (2011 – $45.4 million), $4.8 million (2011 – $5.2 million) of which was paid to the Province.

Scheduled payments over the next five years and thereafter are as follows:

	Gross Payments ($ 000)	Principal ($ 000)
2013	97,214	60,381
2014	94,731	62,132
2015	92,643	64,448
2016	87,026	63,540
2017	78,293	59,212
Thereafter	263,250	219,986

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

8. CONTINGENT LIABILITIES

(A) GUARANTEED DEBT

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the National Housing Act for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of loan defaults on projects funded by the Province.

The Ministry will reimburse any costs incurred by the Corporation. As of March 31, 2012, there were $6.68 billion (2011 – $7.07 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

(B) CONTAMINATED SITES

The Corporation retains potential liability for cleaning up environmental contaminants on former public housing properties under the *Environmental Protection Act*, as noted in the *Social Housing Reform Act* and maintained in the *Housing Services Act, 2011*. Although the total cost of potential remediation is unknown, the Corporation will be reimbursed by the Ministry for costs incurred. Cumulative expenditures for site remediation to March 31, 2012 are $6.9 million (2011 – $3.6 million).

The Corporation had no outstanding claims as at March 31, 2012. There is one ongoing commitment as of that date: the multi-year Regent Park redevelopment project.

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). Based on the redevelopment plan prepared by TCHC, it is expected to take up to 15 years for the redevelopment of Regent Park and environmental remediation may be required at each stage of redevelopment. Given the nature of environmental remediation, a reasonable estimate of future costs cannot be made at this time.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

9. Bursary Program

The Dr. Albert Rose Bursary program is primarily funded by the Province but may also receive additional funding from municipal service managers and other sources. The program offers financial assistance to rent-geared-to-income tenants in Ontario who wish to acquire a post-secondary education. In the 2012 Ontario budget, the Province announced that the bursary program would end as of March 31, 2012.

10. Excess of Revenues over Expenses

The subsidies from the Province include amounts intended to cover the interest and principal payments on the Corporation's long-term debt. The interest is included in the Corporation's expenses and the excess of revenues over expenses results primarily from the principal payments.

11. Related Party Transactions

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

(A) LOANS TO ONTARIO COLLEGES

As of March 31, 2012, the outstanding balance due from colleges with respect to Student Housing loans (note 4) was $809,000 (2011 - $855,000) and Non-Profit Housing Fund mortgages (note 5) was $24,339,000 (2011 - $28,333,000). Total interest and principal payments received from colleges for both programs was $6,550,000 (2011 - $2,751,000).

(B) ADMINISTRATIVE EXPENSES

The Ministry provides administrative services to the Corporation at no charge. The Corporation does not have any payroll expense as all personnel are Ministry's employees and are paid by the Ministry.

12. Risk Management

Information about the Corporation's financial instruments and risks is as follows.

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province and publicly-funded Ontario colleges and universities. The Corporation is also not exposed to significant liquidity risk or interest rate risk. These risks are bourne by the Province.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
March 31, 2012

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statements presentation adopted in the current year.

14. Budgeted Figures

Budgeted figures were prepared by the Corporation and approved by the Minister of Municipal Affairs and Housing. It is presented for information purposes only and has not been audited.

15. Potential Merger

On March 15, 2011, the Ontario Government announced that it is moving forward with its plan to reduce the number of agencies and the potential merger of the Ontario Mortgage and Housing Corporation and the Ontario Mortgage Corporation. Currently, a number of options are being explored, and no decision has been made on the future direction of the Corporation.

ONTARIO NORTHLAND TRANSPORTATION COMMISSION

Ontario Northland Transportation Commission Financial Statements for the year ended March 31, 2012 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/en/ .

ontario place

Management's Responsibility for financial reporting

The management of Ontario Place Corporation is responsible for the integrity and fair presentation of the financial statements accompanying this report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and of necessity to include some amounts that are based on estimates and judgments.

Ontario Place maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable, the company assets and liabilities are adequately accounted for and assets are safeguarded. The systems include policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The financial statements have been reviewed by Ontario Place's Audit Committee and have been approved by its Board of Directors. In addition, the financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility it is to express an opinion on whether they have been prepared in accordance with generally accepted accounting principles. The Independent Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Shirley Phillips
Interim General Manager

Marsha O'Connor, CMA
Senior Manager of Finance & Administration

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Société d'exploitation de la Place Ontario 955, boulevard Lake Shore ouest Toronto, (Ontario) M6K 3B9 An Agency of the Government of Ontari

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Ontario Place Corporation
and to the Minister of Tourism, Culture and Sport

I have audited the accompanying financial statements of the Ontario Place Corporation, which comprise the balance sheet as at December 31, 2011, and the statements of operations, changes in net assets and cash flows and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Place Corporation as at December 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Park Revitalization Announcement

While not impacting my opinion, I draw attention to note 13 to the financial statements which describes the estimated financial impact on the Corporation in 2012 of the February 2012 announcement to close several park attractions while a major revitalization of the park is being planned and implemented.

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Peall

Toronto, Ontario
August 13, 2012

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Ontario Place Corporation

Balance Sheet
As at December 31, 2011

	2011 ($ 000)	2010 ($ 000)
ASSETS		
Current		
Cash – unrestricted	3,766	4,782
Cash – restricted [Note 3]	4,430	6,132
Accounts receivable	1,372	6,642
Inventory	191	215
Prepaid expenses and deferred charges	576	334
	10,335	18,105
Capital Assets [Note 4]	119,617	114,228
Capital Assets Under Lease Obligation [Note 5]	246	251
	119,863	114,479
	130,198	132,584
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payables and accrued liabilities [Note 10B]	2,518	1,822
Current portion of obligations under capital lease [Note 6]	53	45
Due to the Province of Ontario	248	246
Deferred revenue	121	66
	2,940	2,179
Long Term Liabilities		
Accrued employee severance liability [Note 10B]	743	717
Obligations under capital lease [Note 6]	195	219
	938	936
Deferred Capital Contributions [Note 7]	21,285	15,872
Unspent Deferred Capital Contributions [Notes 3 & 7]	3,176	5,014
	24,461	20,886
Net Assets		
Invested in capital assets [Note 8]	98,332	98,356
Unrestricted	3,527	10,227
	101,859	108,583
	130,198	132,584

See accompanying schedules and notes to financial statements.

Approved on behalf of the Corporation:

Director

Director

Ontario Place Corporation

Statement of Operations
For the Year Ended December 31, 2011

	2011 ($ 000)	2010 ($ 000)
Operating revenue [Schedule 1]	12,807	12,925
Administrative and operating expenses [Schedule 2]	(25,629)	(17,666)
Operating deficit before the following	(12,822)	(4,741)
Province of Ontario operating grants	6,153	5,033
Amortization of deferred capital contributions	2,225	2,406
Amortization of capital assets	(2,249)	(2,430)
Amortization of capital assets under lease	(31)	(31)
	6,098	4,978
Excess/(deficiency) of revenue over expenses for the year	(6,724)	237

See accompanying schedules and notes to financial statements.

Ontario Place Corporation

Statement of Changes in Net Assets
For the Year Ended December 31, 2011

	2011 ($ 000)			
	Invested in Capital Assets	Unrestricted	Total	2010 ($ 000)
Net assets, beginning of year	98,356	10,227	108,583	108,346
Excess/(deficiency) of revenues over expenses	(24)	(6,700)	(6,724)	237
Net assets, end of year	98,332	3,527	101,859	108,583

See accompanying schedules and notes to financial statements.

Ontario Place Corporation

Statement of Cash Flows
For the Year Ended December 31, 2011

	2011 ($ 000)	2010 ($ 000)
Operating Activities		
Excess/(deficiency) of revenues over expenses	(6,724)	237
Adjustments for items not requiring an outlay of cash		
Amortization of capital assets	2,249	2,430
Amortization of leased capital asset	31	31
Amortization of deferred capital contributions	(2,225)	(2,406)
Net change in non-cash working capital	5,810	533
Accrued employee severance liability	26	41
Cash generated from/(used in) operating activities	(833)	866
Investing Activities		
Capital asset acquisitions – net	(7,638)	(1,055)
Cash used in investing activities	(7,638)	(1,055)
Financing Activities		
Capital grants received	5,800	2,200
Obligation under capital lease principal paid	(47)	(45)
Cash generated from financing activities	5,753	2,155
Increase/(decrease) in cash during the year	(2,718)	1,966
Cash, beginning of year	10,914	8,948
Cash, end of year	8,196	10,914
Cash - unrestricted	3,766	4,782
Cash - restricted	4,430	6,132
	8,196	10,914

See accompanying schedules and notes to financial statements.

Ontario Place Corporation

Schedules of Operating Revenue and Administrative and Operating Expenses
For the Year Ended December 31, 2011

	2011 ($ 000)	2010 ($ 000)
Schedule 1		
Operating Revenue		
Admissions	4,330	4,854
Parking	1,749	1,997
Sponsorship revenue	2,451	1,586
Amphitheatre	963	1,491
Retail sales and catering	1,229	1,225
Marina	845	874
Concessions and facility rental	682	553
Other revenue	233	164
Cinesphere revenues	232	118
Interest income	93	63
	12,807	12,925

	2011 ($ 000)	2010 ($ 000)
Schedule 2		
Administrative and Operating Expenses		
Salaries and wages	9,093	7,664
Employee benefits [Note 10]	1,400	1,289
Advertising	5,354	1,956
General and administration	2,266	1,822
Programming and entertainment	2,533	947
Utilities	944	864
Cost of retail sales and catering	725	818
Site maintenance	1,204	676
Janitorial	696	632
Supplies	787	550
Transportation and communications	267	239
Other	360	209
	25,629	17,666

See accompanying notes to financial statements.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

1. Nature of Operations

The Ontario Place Corporation, (the "Corporation" or "Ontario Place") is a provincial Crown agency, incorporated under the *Ontario Place Corporation Act* R.S.O. 1990. The Corporation is exempted from federal and provincial income taxes.

The Corporation operates a park built on a 155-acre site extending through three islands created using landfill along the Toronto waterfront. The park includes a wide variety of programs, attractions and facilities which capture the spirit of Ontario by featuring distinctive and quality attractions for all ages. The site is intended to provide visitors with an appreciation of the Province's resources and accomplishments.

The fees charged for admission and the various attractions within the park are subject to approval by the Ministry of Tourism and Culture. The Corporation receives grants from the Province to partially cover the costs of activities, programs and rejuvenation of the park.

In addition to the various attractions and activities operated directly by Ontario Place, the Corporation enters into a number of licence, ground lease and special event agreements with various private-sector companies.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

The financial statements are the representations of management prepared in accordance with Canadian generally accepted accounting principles.

(B) REVENUE RECOGNITION

Grants are recognized on an accrual basis.

Revenue from admission tickets, parking, retail sales and catering, marina dockage, sponsorship, and the cinesphere are recognized when the goods or services are provided.

Revenue from interest, concessions, and amphitheatre are recognized when they are earned.

(C) INVENTORY

Supplies inventory is valued at cost.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

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2. Significant Accounting Policies (Continued)

(D) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

Buildings	25 years
Attractions	10 years
Equipment, fixtures	10 years
Computer equipment	4 years

(E) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

(F) FAIR VALUE OF FINANCIAL INSTRUMENTS

Ontario Place follows the Canadian Institute of Chartered Accountants (CICA) accounting standards pertaining to financial instruments. These standards establish guidance for the recognition and measurement of financial assets and liabilities and how financial instrument gains and losses should be accounted for. Under these standards, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

Under these standards, all financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

The Corporation's financial assets and liabilities are accounted for as follows:

- Cash is recorded at face value.
- Accounts receivable are classified as loans and receivables and are valued at face value which approximates fair value given their short term maturities.
- Accounts payable and Due to the Province are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

2. Significant Accounting Policies (Continued)

It is management's opinion that Ontario Place is not exposed to significant interest rate, currency or liquidity risk arising from its financial instruments due to their nature. Ontario Place is exposed to credit risk by its customers. As a result, it determines on a continual basis, the probable credit losses and sets up a provision for losses based on the estimated realizable value.

(G) NON-MONETARY TRANSACTIONS

In the course of business the Corporation enters into non-monetary transactions under which goods and services are acquired in exchange for advertising services. Non-monetary transactions are measured based on fair market value when there is evidence to support the fair value. When the transaction lacks commercial substance, the contract or carrying value is used. The Corporation had non-monetary transactions during the year ended December 31, 2011. These transactions were material in nature and are disclosed in Note 12.

3. Cash – Restricted

Cash grants totalling $4,430,428 are held by Ontario Place which are externally restricted as follows:

	2011 ($ 000)	2010 ($ 000)
Property tax grant	1,254	3,118
Unspent deferred capital grant	3,176	3,014
	4,430	6,132

The property tax grant provided by the Ministry of Tourism and Culture is required to be used for property taxes paid on property occupied by the Corporation and is subject to recovery by the Ministry if not used for that purpose.

Unspent deferred capital contributions are described in Note 7.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

4. Capital Assets

Capital assets consist of the following:

	2011 ($ 000)			2010 ($ 000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land, waterlots	101,660	—	101,660	101,660
Buildings	13,889	5,708	8,181	7,665
Attractions	11,978	5,058	6,920	3,669
Equipment, fixtures	3,450	978	2,472	1,212
Computer equipment	507	123	384	22
	131,484	11,867	119,617	114,228

5. Capital Assets Under Lease Obligation

	2011 ($ 000)	2010 ($ 000)
Equipment (cost)	342	313
Accumulated amortization	(96)	(62)
	246	251

The equipment under the capital lease is amortized on a straight-line basis over its economic life of 10 years. The amount of amortization charged to expense in 2011 is $34,200 ($31,343 for 2010).

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

6. Capital Lease Obligation

The following is a schedule of future minimum lease payments which expire in 2016 together with the balance of the obligation.

Year ending December 31	2011 ($ 000)	2010 ($ 000)
2012	63	57
2013	63	57
2014	63	57
2015	79	73
Up to 2016	6	—
Total minimum lease payments	274	244
Interest	(26)	(37)
Balance of the obligation	248	207
Less: current portion	(53)	(45)
	195	162

7. Deferred Capital Contributions

Purchased assets have been capitalized and the corresponding capital grants have been deferred together with unspent capital grants. Spent capital grants are amortized into income on the same basis that the underlying assets are amortized. The changes in the total deferred capital contributions balance are as follows:

	2011 ($ 000)	2010 ($ 000)
Balance, beginning of year	20,886	19,092
Amount amortized to revenue	(2,225)	(2,406)
Capital grants recognized	5,800	4,200
Balance, end of year	24,461	20,886

Included in the above are unspent deferred capital contributions in the amount of $3,176,000, of which $0 (2010 – $2,000,000) is included in accounts receivable with the remaining amount included in restricted cash as described in note 3. Refer to note 9 regarding funds that have already been committed to date.

8. Invested in Capital Assets

The invested in capital asset balance represents the net amount of the Corporation's investment in capital assets less the deferred capital contribution balance at year end.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

9. Commitments

In addition to the capital lease obligations discussed in Note 6, the following is a schedule of future payments for the purchase of capital equipment and related support under contracts effective during fiscal 2011:

Year ending December 31	($ 000)
2012	125
2013	—
2014	41
2015	41
Total purchase commitments	207

10. Employee Benefits

(A) PENSION BENEFITS

The Corporation provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multiemployer plans established by the Province of Ontario. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Corporation's annual payments to the funds. Accordingly, the pension expense is the Corporation's share of the required contribution to the PSPF and OPSEU pension funds for the year, which was $394,699 (2010 – $341,852), and is included in employee benefits in the Schedule of Administrative and Operating Expenses.

(B) NON-PENSION BENEFITS

The cost of unused vacation and earned legislated severance entitlements are accrued for in the financial statements. Amounts due within one year are included in accounts payable and accrued liabilities.

The cost of other post-employment non-pension employee benefits are paid by the Ministry of Government Services and are not included in the statement of operations.

11. Property Tax Accrual and Recovery

Ontario Place and the City of Toronto were in dispute regarding the amount of property taxes Ontario Place was assessed to pay from 1998-2008. In late 2009, the Corporation received confirmation of a settlement of the assessment appeals it filed with the City of Toronto resulting in a recovery of a significant portion of property taxes previously accrued. During 2009, Ontario Place paid all property taxes due up to the end of 2009 based on the settlement.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

11. Property Tax Accrual and Recovery (Continued)

Ontario Place received higher than expected final tax bills for 2010 and 2011, as the City used tax rates that were inconsistent with the 2009 settlement. As a result, Ontario Place has filed an appeal for both its 2010 and 2011 tax bills.

Ontario Place has withheld full payment of these final tax bills. Property taxes billed and paid for both 2010 and 2011 are as follows:

2010 Total Property Tax Bill Received	1,869,000	2011 Total Property Tax Bill Received	1,315,000
2010 Total Property Tax Bill Paid	1,417,000	2011 Total Property Tax Bill Paid	1,277,000

12. Non-monetary Transactions

Ontario Place entered into a number of non-monetary transactions, which saw Ontario Place exchange advertising space for a variety of goods and/or services. The most significant are:

	Nature of Goods Exchanged	Basis of Measurement
CTV	Advertising	Contract value
Toronto Star	Advertising	Contract value
Kidomo Inc.	Live Kids Entertainment	Contract value
CHFI Radio	Advertising	Contract value

Approximately $2,067,000 has been recognized as sponsorship revenue along with offsetting administrative and operating expenses as a result of these exchanges. Similar exchanges made in 2010 were valued at $1,112,000. There were no gains or losses associated with the above transactions.

13. Subsequent Event

On February 1, 2012 the Government of Ontario announced plans to revitalize Ontario Place. As part of the revitalization, an advisory panel reporting directly to the Minister of Tourism, Culture and Sport has been assembled to provide strategic advice to the government, including a new vision for the site. The park will be available for use for events like the 2015 Pan/Parapan Am Games until revitalization is complete. This revitalization plan has resulted in the closure of some of the main attractions including the Cinesphere, waterpark, and amusement rides. The Ontario Place Marina, Molson Canadian Amphitheatre, Atlantis Pavillion, and parking lots continue to operate.

As a result, management has estimated the 2012 costs relating to the partial closure of the park including costs for severance/vacation, decommissioning of the site, contract payouts and interim revitalization support to be in the range of $3 to $4 million.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2011

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13. Subsequent Event (Continued)

In addition, as a consequence of the Province's decision to partially close the park, a statement of claim has been filed against the Corporation by one of its licensees. The cost to the corporation, if any, cannot be determined because the outcome of this action is uncertain. Ultimately, the Province would have to fund any settlement costs.

Management also estimates that the following one-time write-downs will be required in 2012 to reflect impairment of assets stemming from the closure of some of the main attractions.

	($ 000)
Prepaids	576
Inventory	191
Capital Assets and Deferred Capital Contributions	12,033

14. Future Accounting Changes

The Public Sector Accounting Board ("PSAB") has issued new accounting standards for government organizations. The Corporation has determined it will be classified as a Government NPO ("GNPO") as it meets all the related criteria. PSAB allows GNPOs to choose between the Public Sector Accounting ("PSA") Handbook or the PSA Handbook supplemented by the inclusion of the not-for-profit standards from the Canadian Institute of Chartered Accountants ("CICA") Handbook, known as the 4200 series. These standards will be effective for fiscal years commencing on or after January 1, 2012. The Corporation plans to select PSA standards plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending December 31, 2012. Transition to these new standards is not expected to have a significant impact on the Corporation's financial statements.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Power Authority

We have audited the accompanying financial statements of Ontario Power Authority, which comprise the statement of financial position as at December 31, 2011, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Power Authority as at December 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
February 15, 2012
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

Statement of Financial Position

(in thousands of dollars)
Year ended December 31, 2011,
with comparative figures for 2010

Assets		2011		2010
Current assets:				
Cash and cash equivalents	$	229,827	$	97,263
Accounts receivable (note 3)		416,102		289,123
Prepaid expenses		300		86
		646,229		**386,472**
Capital assets (note 4)		10,378		11,236
Other financial assets (note 5)		-		15,689
Total Assets	$	**656,607**	$	**413,397**
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities (note 6)	$	321,995	$	296,254
Operating loan (note 13)		256,368		-
Contract deposits (note 7)		52,128		67,571
Other liabilities		83		68
		630,574		**363,893**
Deferred rent inducement, net (note 8)		547		691
Other financial liabilities (note 5)		25,788		49,966
Net assets:				
Internally Restricted Conservation Funds (note 9)		10,667		12,581
Invested in capital assets		10,378		11,236
Accumulated operating deficit		(21,347)		(24,970)
		(302)		**(1,153)**
Commitments (note 8)				
Contingencies and guarantees (note 14)				
Total Liabilities and Net Assets	$	**656,607**	$	**413,397**

See accompanying notes to financial statements

On behalf of the Board of Directors

James D. Hinds	Colin Andersen
Chair	Chief Executive Officer

ONTARIO POWER AUTHORITY

Statement of Operations

(in thousands of dollars)
Year ended December 31, 2011,
with comparative figures for 2010

	2011	2010
Revenue:		
Fees	$ 62,121	$ 62,407
Recovery of other financial accounts (note 5)	14,267	14,423
Registration fees	254	3,249
Interest	1,657	451
Other	17	18
	78,316	80,548
Expenses:		
Compensation and benefits	31,610	30,153
Professional fees	14,903	18,981
Amortization of other financial accounts (note 5)	14,267	14,423
General operating (note 10)	10,595	10,240
Conservation Funds (note 9)	1,914	3,590
Amortization of capital assets	3,155	2,229
	76,444	79,616
Excess of revenue over expenses before interest expense	1,872	932
Interest expense	1,021	453
Excess of revenue over expenses	$ 851	$ 479

See accompanying notes to financial statements

Statement of Changes in Net Assets

(in thousands of dollars)
Year ended December 31, 2011,
with comparative figures for 2010

	Invested in Capital Assets	Internally Restricted (see note 9)	Accumulated Operating Deficit	Total Net Assets 2011	Total Net Assets 2010
Balance, beginning of year	$ 11,236	$ 12,581	$ (24,970)	$ (1,153)	$ (1,632)
Excess (deficiency) of revenue over expenses	(3,155)	-	4,006	851	479
Conservation Funds expenses	-	(1,914)	1,914	-	-
Purchase of capital assets (net)	2,297	-	(2,297)	-	-
Balance, end of year	**$ 10,378**	**$ 10,667**	**$ (21,347)**	**$ (302)**	**$ (1,153)**

See accompanying notes to financial statements

Statement of Cash Flows

(in thousands of dollars)
Year ended December 31, 2011,
with comparative figures for 2010

	2011	2010
Cash Flows from (used in) Operating Activities:		
Excess of revenue over expenses	$ 851	$ 479
Items not involving cash:		
Amortization of capital assets	3,155	2,229
Amortization of deferred rent inducement	(144)	(145)
Amortization of other financial accounts	14,267	14,423
Change in non-cash operating items (note 12)	(116,895)	30,591
	(98,766)	47,577
Cash Flows from (used in) Financing Activities:		
Received for other liabilities	15	68
Increase in operating loan	256,368	-
Increase in other financial assets	1,422	(436)
Increase (decrease) in other financial liabilities	(24,178)	35,877
	233,627	35,509
Cash Flows used in Investing Activities:		
Purchase of capital assets	(2,297)	(5,755)
Increase in cash and cash equivalents	132,564	77,331
Cash and cash equivalents, beginning of year	97,263	19,932
Cash and cash equivalents, end of year	**$ 229,827**	**$ 97,263**

Supplemental cash flows information:	2011	2010
Interest paid	$ 1,238	$ 885
Interest received	2,003	1,104

See accompanying notes to financial statements

ONTARIO
POWER AUTHORITY

1) Nature of operations:

The Electricity Restructuring Act, 2004 (the Act), established the Ontario Power Authority (OPA) as a non-share corporation on December 20, 2004. The OPA is an independent non-profit, non-taxable corporation. The OPA is not a Crown agent and recovers its costs through fees approved by the Ontario Energy Board (OEB) and through charges to the electricity market through the global adjustment mechanism. In accordance with the Act, the OPA's main objectives are:

- to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long term;
- to conduct independent planning for electricity generation, demand management, conservation and transmission, and develop integrated power system plans for Ontario;
- to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario;
- to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources;
- to establish system-wide goals for electricity to be produced from alternative energy sources and renewable energy sources;
- to engage in activities that facilitate load management;
- to engage in activities that promote electricity conservation and the efficient use of electricity;
- to assist the OEB by facilitating stability in rates for certain types of customers; and
- to collect and provide to the public and the OEB information relating to medium and long-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs.

The OPA's ability to continue as a going concern is dependent upon its ability to obtain financing to support operations. The OPA's creditworthiness is attested by the following:

- the ability of the OPA to meet its obligations is provided for in legislation; and
- the OPA's minimal counterparty risk, given that its principal counterparty is the Independent Electricity System Operator (IESO), a creation of the province and a strong counterparty.

2) Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue recognition:

Amounts received in the current year that relate to services and programs to be determined in subsequent years are not recognized as revenue and are deferred.

Fees earned by the OPA are based upon OEB-approved rates for electrical energy withdrawn from the IESO-controlled grid by electricity consumers of Ontario. Such revenue is recognized in the year in which it is earned.

(c) Cash and cash equivalents:

Cash and cash equivalents comprise bank deposit balances, term deposits and other short-term investments with original maturity dates of up to 90 days.

2) Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated service lives, as follows:

Assets	Estimated Average Service life
Furniture and equipment	10 years
Computer hardware	4 years
Computer software	3 to 5 years
Audio-visual equipment	10 years
Telephone system	5 years
Leasehold improvements	Term of lease plus extension option

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

(e) Employee pension benefits:

The OPA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the OPA does not have sufficient information to apply defined benefit plan accounting to this pension plan.

The OPA is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Ontario Pension Board.

(f) Measurement uncertainty:

Uncertainty in determining the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurements of uncertainty in these financial statements exist in the valuation of the power purchase contracts and the estimated defeasance date for the OPA's obligations. Estimates are based on the best information available at the time of preparation of the financial statements and are updated annually to reflect new information as it becomes available.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(g) Future Accounting Standards

Effective January 1, 2012, the OPA will be required to adopt the new accounting standards issued by the Public Sector Accounting Board for government not-for-profit organizations. Government not-for-profit organizations have the option of applying the Public Sector Accounting Handbook supplemented by the Section 4200 series. The OPA will adopt the new standards, effective for periods beginning on January 1, 2012. All changes due to the new standards will be applied retrospectively.

3) Accounts receivable:

	2011	2010
Receivable from IESO (note 13)	$ 326,049	$ 187,789
Conservation charges	87,077	98,059
Renewable energy fund charges	2,156	1,126
Other	820	1,232
HST/GST receivable	-	917
	$ 416,102	**$ 289,123**

4) Capital assets:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Furniture and equipment	$ 3,360	$ 1,543	$ 1,817	$ 2,059
Computer hardware	4,697	4,076	621	1,330
Computer software	6,966	2,325	4,641	4,086
Audio-visual equipment	229	127	102	125
Telephone system	382	284	98	143
Leasehold improvements	5,075	1,976	3,099	3,493
	$ 20,709	**$ 10,331**	**$ 10,378**	**$ 11,236**

5) Other financial assets and liabilities:

Other financial assets and liabilities arise as a result of the Electricity Act, 1998 and the regulations there under and are reflected by the balances in the Regulated Price Plan (RPP), retailer contract settlement deferral accounts, government procurement deferral account and the global adjustment account. In the absence of rate-regulated accounting, these amounts would have flowed through the statement of operations when incurred.

	2011	2010
Other financial assets	$ -	$ 15,689
Other financial liabilities	(25,788)	(49,966)

5) Other financial assets and liabilities (continued):

RPP variance accounts

While prices for RPP consumers are set every six months by the OEB based upon a forecast of the cost of power over the next year, it is likely that there will be a difference between the actual and forecast cost of supplying electricity to all RPP consumers. When the hourly Ontario energy price (HOEP) is greater than the RPP, the OPA pays the excess amount and records a financial asset as the electricity market funds paid are receivable from the market. When the HOEP is less than the RPP, the OPA receives the difference and records a financial liability as the funds received will be returned to the market. The OPA tracks this variance in the RPP variance account. The Ontario Power Generation (OPG) rebate is equivalent to the difference between the revenue limit for specific OPG generating facilities and the revenue OPG actually received in the IESO wholesale spot market for that generation.

	2011	2010
OPG rebate contribution	$ (602,750)	$ (599,107)
Total RPP variance before interest	562,467	534,311
Interest earned	14,495	14,830
	$ (25,788)	**$ (49,966)**

Retailer contract settlement deferral accounts

Legislative provisions ensure that electricity retailers will be made whole by the OPA for contracts with low-volume and designated consumers that were entered into before prices were frozen by legislation effective November 11, 2002. The OPA and retailers settling any differences between the HOEP and the contract price for each contract meet these provisions. When HOEP is greater than the contract price, the OPA receives payments from the retailers and records a financial liability. When HOEP is less than the contract price, the OPA pays the retailer and records a financial asset. The OPA tracks these variances in the retailer contract settlement deferral accounts.

The retailer contract discount settlement account captures the funds related to the retailer incentives existing at the creation of the RPP. The retailer incentives captured are held in a separate deferral account for settlement concurrent with the retailer settlement deferral accounts.

As the contracts to which the retailer settlement accounts relate have now largely expired, it is appropriate to begin disposing of the balances in these accounts. To mitigate ratepayer impact, the OPA will recover the accumulated balance of total retailer contract settlements over a three-year period from 2009 - 2011. The OPA began amortizing the accumulated balance in 2009 on a straight-line basis over the three-year recovery period. The amortization expense for 2011 is $14,267 (2010 - $14,423).

5) **Other financial assets and liabilities (continued):**

	2011	2010
2005 retailer contract settlement account	$ -	$ (13,627)
2006 retailer contract settlement account	-	18,004
2007 retailer contract settlement account	-	12,401
2008 retailer contract settlement account	-	45
2009 retailer contract settlement account	-	191
2010 retailer contract settlement account	-	359
2011 retailer contract settlement account	-	-
Retailer contract discount settlement account	-	(1,684)
	$ -	$ **15,689**

Government procurement deferral account

The OPA reimburses the government for costs incurred for electricity procurement and records the costs as a financial asset. Any subsequent balances will be included in future revenue requirement submissions. The OPA began amortizing the government procurement costs in 2009 on a straight-line basis, with amortization for 2011 totalling $nil (2010 - $99).

Global adjustment account

The OPA has a legislated responsibility to record the transactions flowing through the global adjustment mechanism. The global adjustment and settlement accounts have been created for this purpose. The nature of the global adjustment transactions results in a zero balance in the account on a monthly basis. The information and explanation below provide transparency for the transactions flowing through the global adjustment mechanism.

The global adjustment and settlement accounts record charges that flow between the OPA and the IESO. The account flows include the amounts paid and received for: Demand Response 2 (DR2), Demand Response 3 (DR3), non-utility generation (NUG), regulated nuclear generation balancing amount (nuclear) and regulated hydro electric generation balancing amount (hydro). These accounts are settled simultaneously by the IESO. The account also records the amounts paid and received for OPA contracts (standard offer, generation and conservation/demand management, Feed-In Tariff and hydroelectric contract initiatives) which the OPA settles on a monthly basis with the IESO.

The DR3, NUG, nuclear, hydro, and OPA contract balances are offset in the global adjustment account eliminating the need for a flow of funds between the IESO and the OPA. The OPA records the effect of the transactions to meet its legislated responsibility.

5) Other financial assets and liabilities (continued):

The OPA generation contracts are estimated each month and settled on the actual amount owing in the following month. This gives rise to timing differences. The settlement dates can cross calendar months, creating a monthly balance in the account. Differences created from timing or settlement dates are re-classified into accounts receivable at month end. The net impact of global adjustment transactions creates a zero balance in the account at every month end.

	2011	2010
DR2	$ 22,760	$ 12,448
DR3	36,279	17,536
NUG	1,082,964	959,670
Nuclear	1,262,051	882,214
Hydro	84,692	7,146
OPA Contracts	2,820,966	1,969,859
Global adjustment balancing amount	(5,309,712)	(3,848,873)
	$ -	$ -

6) Accounts payable and accrued liabilities:

	2011	2010
Accrued contract settlements	$ (12,942)	$ (189,002)
HST payable	(128)	-
Other accrued liabilities	(308,925)	(107,252)
	$ (321,995)	**$ (296,254)**

7) Contract deposits:

The OPA receives performance security in the form of deposit amounts received from renewable energy supply, Feed-In Tariff (FIT) Program and demand response suppliers. For suppliers engaged in a contract which involves the construction of a new supply facility, the deposits are larger during the construction phase and are reduced once a project commences commercial operations. Deposits related to the FIT Program are submitted to the OPA with the supplier application and can be returned if one of the following occurs: (a) the supplier withdraws their application from the Program; (b) the supplier obtains a contract with the OPA; or (c) the supplier's application is rejected by the OPA.

The deposits are classified as current liabilities as they can be replaced by a letter of credit by the supplier on request.

8) Deferred rent inducement and operating lease commitments:

The OPA has entered into various long-term lease commitments for office space, which include lease inducements. Deferred rent inducement represents the benefit of operating lease inducements amortized on a straight-line basis over the term of the lease. The OPA obtained an allowance for leasehold improvements of $1,430. As at December 31, 2011, the deferred rent inducement, net of amortization, was $547 (2010 - $691).

The OPA reports an average rental cost for premises over the term of the lease agreement and amortizes the benefit of the lease inducements over the same period. As at December 31, 2011, the accrued liability was $250 (2010 - $321).

Lease commitments for premises are set to terminate by October 2015. Lease commitments include amounts for leased computer hardware. Computer hardware commitments terminate between 2012-2013. The minimum annual payments under the operating lease are approximated as follows:

Lease Commitments		
2012	$	1,678
2013		1,652
2014		1,650
2015		1,294
	$	**6,274**

9) Internally restricted conservation funds:

The OPA established the Conservation Fund to support electricity conservation projects. The Technology Development Fund was established to aid the development of new technology to improve electricity supply or conservation. To date, 11 funds have been set up as depicted in the table below:

		Restricted Fund		Expensed 2011		Expensed Prior Years		Balance 2011
2005 Conservation Fund	$	1,100	$	-	$	837	$	263
2006 Conservation Fund		1,500		-		1,575		(75)
2007 Conservation Fund		3,000		-		2,674		326
2008 Conservation Fund		3,000		277		2,575		148
2009 Conservation Fund		3,000		747		1,675		578
2010 Conservation Fund		5,000		44		131		4,825
2006 Technology Development Fund		1,000		-		487		513
2007 Technology Development Fund		1,000		(3)		650		353
2008 Technology Development Fund		1,500		156		1,537		(193)
2009 Technology Development Fund		1,500		139		1,114		247
2010 Technology Development Fund		4,500		554		264		3,682
	$	**26,100**	**$**	**1,914**	**$**	**13,519**	**$**	**10,667**

10) General operating costs:

		2011		2010
General program costs	$	4,118	$	4,799
Premises		3,616		3,447
Information technology		1,839		1,046
Office and administration		1,022		948
	$	**10,595**	$	**10,240**

11) Pension plan:

The OPA makes contributions to the Public Service Pension Plan, a multi-employer plan, on behalf of staff. The plan is a contributory defined pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates by employers are made at a rate of approximately eight percent of earnings. As at December 31, 2011, the OPA paid or accrued contributions totalling $1,937 (2010 - $1,916) during the year.

12) Change in non-cash operating items:

		2011		2010
Increase in accounts receivable	$	(126,979)	$	(82,593)
Decrease (increase) in prepaid expenses		(214)		43
Increase in accounts payable and accrued liabilities		25,741		51,359
Increase (decrease) in contract deposits		(15,443)		31,782
	$	**(116,895)**	$	**30,591**

13) Related party transactions:

The OPA considers the OEB, Hydro One, the IESO, OPG, Ontario Financing Authority (OFA), and the Ministry of Energy as related parties due to the relationship they maintain with the Government of Ontario. Transactions between these parties and the OPA were as follows:

Under the Ontario Energy Board Act, 1998, the OPA incurs registration and licence fees. Consistent with other registrants, in 2011 the OPA was allocated a portion of the operating costs of the OEB. The total of the OPA's transactions with the OEB was $1,129 in 2011 (2010 - $1,147).

The OPA procures conservation and demand management from Hydro One. The procurement costs include payments for electricity conservation, program operating costs and management fees. In 2011, the OPA procured $39,860 in conservation demand management (2010 - $31,359) from Hydro One and its wholly owned subsidiaries. Amounts receivable from Hydro One in 2011 were $742 (2010 - $742).

13) Related party transactions (continued):

The OPA receives its fee revenue from the IESO. The fee revenue is approved by the OEB and collected each month by the IESO from ratepayers through a usage rate applied to Ontario domestic electricity consumption. Fee revenue for 2011 was $76,388 (2010 - $76,830). In addition, the OPA and the IESO have agreements set up for the settlement of amounts paid and received for the global adjustment account, RPP, and retailer contract settlement deferral accounts on behalf of various market participants (see note 5). At December 31, 2011, the OPA had a net receivable of $326,049 (2010 - $187,789). The OPA also incurred $844 in 2011 (2010 - $447) for IESO professional services.

The OPA has an agreement with OPG for professional services and planning support. In 2011, the OPA incurred $nil (2010 - $nil) for such services.

The OPA has available a revolving operating facility in the amount of $975,000, provided by the OFA to fund its general operating expenses and support the RPP variance account. The line of credit was renewed in 2010 for a three-year term from January 1, 2011 to December 31, 2013. On December 30, 2011, the OPA obtained a $256,368 operating loan from the OFA, which matures on January 31, 2012. The interest rate for this loan is 1.17 percent. In 2011, the OPA incurred $1,021 (2010 - $453) in interest expenses for the loan.

In the 2008 revenue requirement submission to the OEB, the OPA requested and received an OEB decision to carry the costs related to the government procurements in a deferral account to settle coincidentally with the retail contract settlement deferral accounts. The amount of $nil was incurred in 2011 (2010 - $nil).

14) Contingencies and guarantees:

Contingencies:

In the normal course of its operations, the OPA becomes involved in various legally binding agreements. Some of these agreements contain potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that a future event becomes likely to occur or fails to occur, and a reasonable estimate of the loss can be made, an estimated liability will be accrued and the expense recorded on the OPA's financial statements. As at December 31, 2011 in the opinion of management, no such liabilities exist.

(a) In October 2009, the OPA signed a contract with TransCanada Energy Ltd. to design, build and operate over a 20-year term a 900 megawatt gas-fired electricity generating station in Oakville. It was decided in October 2010 not to proceed with this project. Negotiations related to this matter are ongoing. A reasonable estimate of any settlement amount cannot be determined at this time.

(b) Contract conditions related to the construction of a new clean energy facility stipulate that the OPA is contingently liable to repay upgrade costs, up to a maximum of $1,000, as incurred by the energy supplier. While none of these costs has been incurred to date, the OPA is liable to cover such costs over a 20-year period ending in 2025. As at December 31, 2011, management is not aware of any information to suggest that these upgrade costs will be incurred by the supplier.

(c) In April 2005, the OPA signed a contract with Greenfield South Power Corporation ("GSPC") to design, build and operate over a 20-year term a 280 megawatt gas-fired electricity generating station in Mississauga. It was decided in October 2011 to seek to relocate this facility. Negotiations related to this matter are ongoing. A reasonable estimate of the settlement amount cannot be determined at this time.

14) Contingencies and guarantees (continued):

Guarantees:

The OPA is contingently liable under a loan guarantee provision in a contract with a maximum potential exposure of $8,600. The outstanding loan balance under this contract, which the OPA has guaranteed, is $20 as at December 31, 2011 and is not presently in default. The contract related to this guarantee expires in September 2012.

15) Fair value of financial assets and financial liabilities

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

The carrying values of the operating loan approximate their fair values as the terms and conditions for similar types of loan arrangements are comparable to current market conditions for similar items.

The fair values of other financial assets and other financial liabilities are not provided because it would not provide additional useful information as they would be offset and/or would not be practical to determine.

16) Capital Disclosures:

Due to the OPA's primary objectives (note 1), the OPA plans for revenues to fund expenses. Any variances that occur are addressed in the following year's revenue requirement submission. As at December 31, 2011, the Minister has not provided formal approval of the OPA's business plan or the OPA's proposed usage fee for 2012.

17) Financial risk management:

The OPA is exposed to financial risks in the normal course of its business operations, including market risks resulting from credit risk, liquidity risk and interest rate risk. The nature of the financial risks and the OPA's strategy for managing these risks has not changed significantly from the prior year.

(a) Credit risk:

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The OPA is exposed directly to credit risk related from accounts receivable and bank deposits held at the chartered bank. Direct exposure to credit risk is limited to the carrying amount presented for these assets on the statement of financial position. Accounts receivable as of December 31, 2011 included no material items past due.

(b) Liquidity risk:

Liquidity risk refers to the risk that the OPA will encounter financial difficulty in meeting obligations associated with its financial liabilities. The OPA manages liquidity risk by forecasting cash flows to identify financing requirements. Cash flows from operations and maintaining appropriate credit facilities reduce liquidity risk.

(c) Interest rate risk:

The OPA's operating loan has a variable interest rate based on the Province of Ontario's cost of funds for borrowing, with a similar term as determined by the OFA plus a margin. As a result, the OPA is exposed to interest rate risk due to fluctuations in the Province of Ontario's cost of funds for borrowing with a similar term rate.

Ontario Racing Commission

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Ontario

Ontario Racing Commission

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Racing Commission have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 26, 2012.

Management is responsible for the integrity of the financial statements and maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management and the Office of the Auditor General of Ontario to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

John L. Blakney
Executive Director and CEO

Steven Lehman
Chief Administrative Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report
To the Ontario Racing Commission
and to the Minister of Finance

I have audited the accompanying financial statements of Ontario Racing Commission, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of operations, change in net financial assets and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Racing Commission as at March 31, 2012, March 31, 2011 and April 1, 2010 and the results of its operations, changes in its net financial assets, and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

Peall

Toronto, Ontario
June 26, 2012

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

Ontario Racing Commission

Statements of Financial Position
As at March 31, 2012

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
Financial Assets			
Cash (Note 4(A))	2,338	2,541	2,093
Accounts receivable (Note 6)	1,525	680	202
	3,863	3,221	2,295
Liabilities			
Accounts payable and accrued liabilities (Note 7)	1,763	1,601	1,091
Accrued benefit obligation [Note 8(B)]	1,307	1,035	847
Deferred lease inducement (Note 16)	358	440	522
	3,428	3,076	2,460
Net Financial Assets/(Debt)	435	145	(165)
Non-Financial Assets			
Tangible capital assets (Note 9)	236	305	381
Prepaid expenses	8	27	28
	244	332	409
Accumulated Surplus	679	477	244

Commitments and contingencies (Note 13)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

Rod Seiling, Chair

John Macdonald, Member

Ontario Racing Commission

Statement of Operations
For the years ended March 31

	Budget 2012 ($ 000) (Note 18)	2012 ($ 000)	2011 ($ 000)
Revenue			
Wagering levy (Note 10)	5,196	5,196	5,422
Licence and registration fees	4,070	3,793	4,831
Cost recovery from industry (Note 11)	2,582	2,957	1,823
Fines and penalties	350	452	333
Interest income	16	32	20
Miscellaneous	—	10	10
Total revenue	12,214	12,440	12,439
Expenses (Note 14)			
Race Officiating	4,389	4,258	4,807
Medication Control	2,500	2,480	1,811
Compliance Investigation	1,184	1,118	1,262
Administration	1,085	1,078	1,166
Hearings & Adjudication	789	583	668
Governance	673	816	794
Licensing & Due Diligence	635	715	625
Program Administration	790	861	744
Government Relations	89	99	89
Industry Support	80	230	240
Total expenses	12,214	12,238	12,206
Annual Surplus	—	202	233
Accumulated Surplus, beginning of year	477	477	244
Accumulated Surplus, end of year (Note 4(B))	477	679	477

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Change in Net Financial Assets
For the Years Ended March 31

	2012 ($ 000)	2011 ($ 000)
Annual Surplus	202	233
(Acquisition) of tangible capital assets	(11)	(22)
Amortization of tangible capital assets	80	98
(Acquisition) of prepaid expense	(66)	(183)
Use of prepaid expense	85	184
	88	77
Increase in net financial assets	290	310
Net financial assets (debt), beginning of year	145	(165)
Net financial assets, end of year	435	145

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Cash Flows
For the Years Ended March 31

	2012 ($ 000)	2011 ($ 000)
Operating transactions		
Annual Surplus	202	233
Amortization of tangible capital assets	80	98
	282	331
Changes in non-cash operating balances		
Non-cash operating working capital	(664)	33
Accrued benefit obligation	272	188
Deferred lease inducement	(82)	(82)
	(474)	139
Capital transactions		
Purchase of tangible capital assets	(11)	(22)
Net change in cash	(203)	448
Cash, beginning of year	2,541	2,093
Cash, end of year	2,338	2,541

See accompanying notes to financial statements.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

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1. Objective of the Commission

Effective December 15, 2000, the *Racing Commission Act, 2000* continued the Ontario Racing Commission (the "Commission") as an independent self-financing regulatory agency of the Crown. The Commission is responsible to govern, direct, control and regulate horse racing in the Province.

As an Ontario Crown agency, the Commission is exempted from federal and provincial income taxes under the *Income Tax Act* (Canada).

2. Conversion to Public Sector Accounting Standards

Commencing with the 2012 fiscal year, the Commission has adopted Canadian public sector accounting ("PSA") standards. These financial statements are the first financial statements for which the Commission has applied Canadian public sector accounting standards.

Other than financial statement presentation, the financial balances are not affected by this transition. Therefore, no retroactive restatement is needed.

3. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board.

(B) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and software	3 years
Leasehold improvements	remaining term of lease

The resulting disclosures are presented in Note 9.

(C) REVENUE RECOGNITION

The wagering levy is recognized as income in the year it is due.

Licence and registration fees are recognized as income when issued.

Revenue from fines and penalties, less a provision for uncollectible amounts, is recorded when such fines and penalties are imposed.

(D) EXPENSE RECOGNITION

Expenses are recognized on an accrual basis as incurred, in the year to which they relate.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

3. Significant Accounting Policies (Continued)

(E) EMPLOYEE BENEFITS

(I) PENSION BENEFITS

The Commission's full-time employees participate in the Public Service Pension Fund (PSPF), which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Commission's annual payments to the fund. As the sponsors are responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission.

(II) NON-PENSION BENEFITS

The cost of post-retirement non-pension employee benefits is paid by the Province and is not included in the Statement of Operations.

(III) ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation records earned employee severance payments due upon termination or retirement.

(F) FINANCIAL INSTRUMENTS

The Commission's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of operations.
- Accounts payable and accrued liabilities are recorded at cost.

The Commission does not use derivative financial instruments. It is management's opinion that the Commission is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

(G) MEASUREMENT UNCERTAINITY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Items requiring the use of significant estimates include: useful life of capital assets, accrued benefit obligations, and valuation allowances.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

3. Significant Accounting Policies (Continued)

(H) TRUSTS UNDER ADMINISTRATION

Trusts administered by the Commission are not included in the financial statements as the assets are not held for the benefit of the Commission. Details of amounts held in trust are disclosed in Note 5.

4. Cash and Cash Reserve

(A) CASH

The cash balance on the Statements of financial position is made up of the following:

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
General	1,338	1,541	1,093
Reserve	1,000	1,000	1,000
	2,338	2,541	2,093

(B) RESERVE

Subsection 13(1) of the *Racing Commission Act, 2000* allows the Commission to retain its surplus funds unless, under subsection 13(2), it is ordered by the Minister responsible for the Commission to pay into the Consolidated Revenue Fund of the Province of Ontario the portion of its surplus funds as determined by the Minister. In fiscal 2002, the Commission obtained approval from the then Ministry of Government and Consumer Services to establish a Reserve account not to exceed 25% of the Commission's annual operating budget. These funds will be used as an operating contingency against unanticipated revenue shortfalls.

5. Amounts Held in Trust

As at March 31, 2012, the Commission held funds in trust in interest-bearing bank accounts for others in the horse racing industry, as follows:

	2012 ($ 000)	2011 ($ 000)
Amounts held in trust:		
Fort Erie racetrack horsepeople purse account funds	2,576	3,888
Fort Erie Live Racing Consortium	256	484
Total Carbon Dioxide Program	276	268
Quinte racetrack horsepeople purse account funds	12	12
	3,120	4,652

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

5. Amounts Held in Trust (Continued)

(A) FORT ERIE RACETRACK HORSEPEOPLE PURSE ACCOUNT FUNDS

Due to the uncertainty of the operations at the Fort Erie racetrack, commencing December 2008 the Commission ordered the funds held by the racetrack for the horsepeople purse account to be transferred to and held in trust by the Commission until the uncertainty is resolved.

(B) FORT ERIE LIVE RACING CONSORTIUM

On December 31, 2009, the Fort Erie Live Racing Consortium assumed operations of the Fort Erie Racetrack. By mutual agreement between the Consortium, the Ontario Lottery and Gaming and the Commission, as of January 2010, the Commission has received and held in trust amounts generated through the Ontario Lottery and Gaming Slots-At-Racetracks program.

(C) TOTAL CARBON DIOXIDE (TCO2) PROGRAM

Beginning in September 2008, an annual agreement is signed between the Commission and the Canadian Pari-Mutuel Agency ("CPMA") that CPMA will provide funding to the Commission to subsidize the cost of tests to detect the presence of alkalinizing agents in horses at racetracks that provide pari-mutuel betting. In October 2010, the Commission assumed direct responsibility for the contract for TCO2 sample collection and laboratory testing services. As a result, the cost and funding of this program is reflected within Medication Control expense and Cost recovery from industry funding, respectively in the Statement of Operations.

Subsidies for the fiscal year 2011-2012 had been fully received from the CPMA and will be disbursed to the racetracks after March 31, 2012.

(D) QUINTE RACETRACK HORSEPEOPLE PURSE ACCOUNT FUNDS

Due to the lack of a licensed operator at the Quinte racetrack, commencing December 2008 the Commission has held the horsepeople purse account in trust.

6. Accounts Receivable

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
Revenue and other receivables	973	435	202
HST Receivable	552	245	—
	1,525	680	202

Accounts receivables largely relate to amounts due from industry licensees - which are due upon receipt of invoice - and HST receivable due from government.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

6. Accounts Receivable (Continued)

Provisions for doubtful accounts are not necessary on most revenue-related receivables due to the licensing relationship that the Commission has with these parties. For fines revenue, a provision is recorded for uncollectible amounts. That provision is netted against revenue and accounts receivable for financial statement presentation purposes.

7. Accounts Payable and Accrued Liabilities

	March 31, 2012 ($ 000)	March 31, 2011 ($ 000)	April 1, 2010 ($ 000)
Accounts payable	613	593	430
Accrued Vacation, Salaries and benefits	1,150	1,008	661
	1,763	1,601	1,091

Accounts Payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accrued vacation, salaries and benefits are recorded based on employment arrangements and employment practices under the related legislation. Compensation payables are paid out as required under these contractual or statutory obligations.

8. Employee Benefits

(A) PENSION BENEFITS

The Commission's annual payments of $321,004 (2011-$320,170), are included in employee benefits expense in Note 14.

(B) ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation records earned employee severance payments due upon termination or retirement. In fiscal 2012, the cost of these employee benefits was $295,092 (2011 – $394,116) and is included in employee benefits in Note 14.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

9. Tangible Capital Assets

	($ 000)			($ 000)
	Computer equipment and software	Office furniture and equipment	Leasehold Improvements	Net Book Value
Cost				
Opening balance, April 1, 2011	405	280	450	1,135
Additions	9	2	—	11
Closing Balance, March 31, 2012	414	282	450	1,146
Accumulated Amortization				
Opening Balance, April 1, 2011	(355)	(251)	(225)	(831)
Amortization	(22)	(12)	(45)	(79)
Closing Balance, March 31, 2012	(377)	(263)	(270)	(910)
Net Book Value, March 31, 2012	**37**	**19**	**180**	**236**

	($ 000)			($ 000)
	Computer equipment and software	Office furniture and equipment	Leasehold Improvements	Net Book Value
Cost				
Opening balance, April 1, 2010	386	277	450	1,113
Additions	19	3	—	22
Closing Balance, March 31, 2011	405	280	450	1,135
Accumulated Amortization				
Opening Balance, April 1, 2010	(336)	(216)	(180)	(732)
Amortization	(18)	(35)	(45)	(98)
Closing Balance, March 31, 2011	(354)	(251)	(225)	(830)
Net Book Value, March 31, 2011	**51**	**29**	**225**	**305**

10. Wagering Levy

The levy was established such that the total sum of the levy and other revenues received by the Commission would be sufficient to cover all costs associated with the operation of the Commission. The levy was calculated as a percentage of total wagering made at each racing association during the 2010 calendar year.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

11. Cost Recovery from Industry

The Commission recovers certain costs from the industry for its activities as follows:

	2012 ($ 000)	2011 ($ 000)
Cost recovery from:		
Equine Medication and Drug Control	1,044	1,005
TCO2 Program	726	320
Horse Improvement Program	341	213
Ontario Racing Program	325	—
Quarter Horse Racing Industry Development Program	348	123
Miscellaneous	145	117
Purse Examinations	28	20
Due Diligence	—	25
	2,957	1,823

(A) EQUINE MEDICATION AND DRUG CONTROL

A letter of intent dated December 20, 2006, between an Ontario horse racing industry advisory group and the Commission established the Equine Medication Control and Drug Task Force. The mandate of the Task Force, which is administered by the Commission and partially funded by the racetracks and the horsepeople purse accounts, is to combat the supply and use of illegal equine medications and drugs in the Ontario horse racing industry. The agreement, which covered the two year period from January 1, 2007 through December 31, 2008, required the industry to provide regular payments to fund the Task Force and the Commission records these payments as a deferred cost recovery from industry until the related costs are incurred. Since the expiration of that initial two year agreement, the Commission has arranged to continue administering the Task Force under the same terms and financial arrangements. As of March 31, 2012, all Task Force funding from the industry had been spent.

(B) TCO2 PROGRAM

As of October 1, 2010, the Commission assumed responsibility for the sample collection and laboratory testing services of the TCO2 Program. The costs of tests to detect the presence of alkalinizing agents in horses at racetracks that provide pari-mutuel betting are included as Medication Control. These test costs are fully recovered and included as Cost Recovery from Industry through charges to the racetrack operators, net of CPMA funding subsidies.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

11. Cost Recovery from Industry (Continued)

(C) HORSE IMPROVEMENT PROGRAM

As of May 1, 2005, the Commission assumed responsibility for the administration of the Horse Improvement Program (HIP). The HIP is a racing and breeding incentive program that was established in 1974. The objectives of the program are: to supplement purses paid; to improve the quality and quantity of racing stock in Ontario; to fund equine research; to promote the Ontario-bred horse; and to promote horse breeding and ownership in theprovince. A Memorandum of Understanding (MOU) effective September 30, 1996 between the then Ministry of Consumer and Commercial Relations, the Ontario Horse Racing Industry Association and the Commission provided for a reduction of pari-mutuel taxes, with these forgone revenues being allocated to various industry participants. The MOU has been supplemented by subsequent agreements to include an allocated portion of revenues from slot machines at racetracks. Separate financial statements have been prepared for the HIP, which were audited by an independent public accounting firm.

(D) ONTARIO RACING PROGRAM

The Ontario Racing Program (ORP) is a province-wide approach to the conduct of horse racing. The ORP was developed in consultation with industry stakeholders to coordinate and provide structure in addressing local, regional and provincial issues. The Program is built upon a Framework approved by the Board of the Commission. An Implementation and Monitoring Group was established to provide on-going oversight, consider variances to the Program, monitor results, ensure compliance and continue to refine and develop the ORP.

Initially, the ORP has focused on critical Standardbred racing issues, although the principles of the program apply equally to all breeds.

(E) QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM

As a result of an agreement between the Ontario Lottery and Gaming Corporation and owners of the Ajax Downs racetrack, the Commission assumed responsibility to administer the Quarter Horse Racing Industry Development Program (QHRIDP) with an objective to establish a program for the betterment of the Ontario quarter horse racing industry and horse racing in general. Since March 2006, the program has been funded by an allocated portion of revenues from slot machines at the racetrack. Separate financial statements have been prepared for the QHRIDP, which were audited by an independent public accounting firm.

(F) PURSE EXAMINATIONS

Pursuant to changes to the Rules of Racing that were approved in fiscal 2008, the Commission recovered its costs for conducting examinations on the financial statements of the purse accounts that the racetrack operators hold in trust for the horsepeople.

12. Members' Remuneration

Total remuneration of the Chair and members of the Commission for the year was $197,581 (2011 – $184,043). Members' remuneration is charged to Governance expense in the Statement of Operations and in Services in Note 14.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

13. Commitments and Contingencies

(A) The Commission is committed under operating leases on head office premises and vehicles with future minimum rental payments due for each fiscal year as follows:

	Premises ($ 000)	Vehicles ($ 000)	Total ($ 000)
2013	370	194	564
2014	358	105	463
2015	358	57	415
2016	358	—	358
	1,444	356	1,800

(B) The Commission is involved in various legal actions arising out of the ordinary course of business. These matters may give rise to future liabilities. The outcome and ultimate disposition of these actions are not determinable at this time, and accordingly, no provision has been made in these financial statements for any liability that may result. Any settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs.

14. Expenses by Object

The following is a summary of expenses by object:

	2012 ($ 000)	2011 ($ 000)
Salaries and wages	5,698	5,956
Employee benefits (Note 8)	1,235	1,391
Services (Note 15)	4,213	3,688
Transportation and communication	867	893
Supplies	145	180
Amortization	80	98
Total expenses	12,238	12,206

15. Related Party Transactions

The Commission paid the Province of Ontario for: Ontario Provincial Police investigative and related services totalling $1,209,454 (2011 – $1,182,316); and for administrative services, information technology services, and use of computer equipment totalling $200,675 (2011 – $278,332).

The Commission has governance and administrative responsibilities over certain industry-funded programs and recovers its costs as disclosed under Note 11.

Ontario Racing Commission

Notes to Financial Statements
For the Years Ended March 31, 2012 and March 31, 2011

16. Deferred Lease Inducement

As part of its lease arrangements for its head office premise, the Commission negotiated a lease inducement of $459,920 to cover the costs of leasehold improvements. This deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced April 1, 2006, being the start date of the lease.

17. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

18. Budgeted Figures

Budgeted figures approved by the Board of the Commission and the Ministry of Finance. It is presented for information purposes only and has not been audited.

19. Cancellation of Slots at Racetrack Program

On March 12, 2012 the Ontario Lottery and Gaming Corporation ("OLG") and the Ministry of Finance (the "Ministry") made an announcement that the Slots at Racetrack Program in Ontario would end on March 31, 2013. Also announced was that the slots at Windsor Raceway, Hiawatha Raceway and Fort Erie Raceway would close as of April 30, 2012, although the Ministry and the OLG have agreed to compensate these tracks until the end of the slots program on March 31, 2013.

While the Commission does not derive any of its revenue directly from the Slots at Racetrack Program, the cancellation of this program, and the resulting decline in industry revenue, will likely have a significant impact on the Ontario horse racing industry. At this time, the Commission can not determine what indirect affect the cancellation will have on Commission operations in future years.

ONTARIO SCIENCE CENTRE

Ontario Science Centre Financial Statements for the year ended March 31, 2012 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/en/ .

ONTARIO SECURITIES COMMISSION

MANAGEMENT'S RESPONSIBILITY AND CERTIFICATION

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year end and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.

Howard I. Wetston, Q.C.
Chair and Chief Executive Officer
May 22, 2012

Frank Panzetta, CGA
Controller

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Securities Commission

I have audited the accompanying financial statements of the Ontario Securities Commission, which comprises the statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of comprehensive income, the statements of changes in surplus and the statements of cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Securities Commission as at March 31, 2012, March 31, 2011 and April 1, 2010, and its financial performance, and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

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Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Toronto, Ontario
May 22, 2012

ONTARIO SECURITIES COMMISSION

Statement of Financial Position

In Canadian dollars

	Notes	March 31, 2012	March 31, 2011	April 01, 2010
ASSETS				
CURRENT				
Cash		$ 23,061,703	$ 26,503,743	$ 35,592,848
Trade and other receivables	5	2,699,510	2,151,928	1,046,029
Prepayments		1,025,843	765,481	505,472
TOTAL CURRENT		$ 26,787,056	$ 29,421,152	$ 37,144,349
NON-CURRENT				
Funds held pursuant to designated settlements and orders	6	$ 47,194,738	$ 43,603,984	$ 43,495,838
Funds held for CSA systems redevelopment	7	80,521,903	64,880,151	49,135,268
Reserve fund assets	8	20,000,000	20,000,000	20,000,000
Property, plant & equipment	9	3,943,729	3,910,758	5,318,889
TOTAL NON-CURRENT		$ 151,660,370	$ 132,394,893	$ 117,949,995
TOTAL ASSETS		**$ 178,447,426**	**$ 161,816,045**	**$ 155,094,344**
LIABILITIES				
CURRENT				
Trade and other payables	10	$ 15,228,177	$ 13,374,631	$ 11,686,270
Obligation under finance leases	11b	1,631	78,778	107,899
TOTAL CURRENT		$ 15,229,808	$ 13,453,409	$ 11,794,169
NON-CURRENT				
Obligation under finance leases	11b	$ -	$ 1,631	$ 88,522
Pension liabilities	12	2,016,341	2,005,194	1,782,872
Funds held pursuant to designated settlements and orders	6	47,194,738	43,603,984	43,495,838
Funds held for CSA systems redevelopment	7, 18	80,521,903	64,880,151	49,135,268
TOTAL NON-CURRENT		$ 129,732,982	$ 110,490,960	$ 94,502,500
TOTAL LIABILITIES		$ 144,962,790	$ 123,944,369	$ 106,296,669
SURPLUS				
OPERATING				
General	14	$ 13,484,636	$ 17,871,676	$ 28,797,675
Reserve	8, 13	20,000,000	20,000,000	20,000,000
		$ 33,484,636	$ 37,871,676	$ 48,797,675
TOTAL LIABILITIES AND SURPLUS		**$ 178,447,426**	**$ 161,816,045**	**$ 155,094,344**

The related notes are an integral part of these financial statements.

ON BEHALF OF THE BOARD OF THE COMMISSION

Margot C Howard

Howard I. Wetston, Q.C.
Chair

Margot C. Howard
Chair, Audit and Finance Committee

ONTARIO SECURITIES COMMISSION

Statement of Comprehensive Income

In Canadian dollars

	Notes		Year ended March 31, 2012		2011
REVENUES					
Fees	14	$	85,182,382	$	72,566,666
Interest income			343,740		298,018
Miscellaneous			111,768		90,128
		$	85,637,890	$	72,954,812
EXPENSES					
Salaries and benefits	15	$	69,414,747	$	66,044,367
Administrative	16		6,818,005		6,195,206
Occupancy			6,544,194		6,525,669
Professional Services			5,919,595		2,648,338
Depreciation	9		1,843,700		2,729,026
Other			623,189		441,086
		$	91,163,430	$	84,583,692
Recoveries of enforcement costs	17	$	(1,138,500)	$	(702,881)
		$	90,024,930	$	83,880,811
DEFICIENCY		$	(4,387,040)	$	(10,925,999)

The related notes are an integral part of these financial statements.

ONTARIO SECURITIES COMMISSION
Statement of Changes in Surplus
In Canadian dollars

	Notes		March 31, 2012		March 31, 2011
OPERATING SURPLUS, BEGINNING OF YEAR		$	37,871,676	$	48,797,675
DEFICIENCY			(4,387,040)		(10,925,999)
OPERATING SURPLUS, END OF YEAR		$	33,484,636	$	37,871,676
Represented by:					
General	14	$	13,484,636	$	17,871,676
Reserve	8, 13		20,000,000		20,000,000
		$	33,484,636	$	37,871,676

The related notes are an integral part of these financial statements.

ONTARIO SECURITIES COMMISSION
Statement of Cash Flows
In Canadian dollars

	Notes	Year ended March 31, 2012	 2011
Cash flows from/(used in) operating activities			
Deficiency of revenues over expenses		$ (4,387,040)	$ (10,925,999)
Adjusted for			
Interest received		327,008	257,904
Interest income		(343,740)	(298,018)
Pension liabilities		11,147	222,322
Loss on disposal of property, plant and equipment		132	-
Depreciation		1,843,700	2,729,026
		$ (2,548,793)	$ (8,014,765)
Changes in non-cash working capital:			
Trade and other receivables		$ (530,850)	$ (1,065,785)
Prepayments		(260,362)	(260,009)
Trade and other payables		1,853,546	1,688,361
		$ 1,062,334	$ 362,567
Net cash flows used in operating activities		$ (1,486,459)	$ (7,652,198)
Cash flows used in investing activities			
Purchase of property, plant and equipment	9	$ (1,876,803)	$ (1,320,895)
Net cash flows used in investing activities		$ (1,876,803)	$ (1,320,895)
Cash flows used in financing activities			
Repayment of obligation under finance leases		$ (78,778)	$ (116,012)
Net cash flows used in financing activities		$ (78,778)	$ (116,012)
NET DECREASE IN CASH		$ (3,442,040)	$ (9,089,105)
CASH POSITION, BEGINNING OF YEAR		26,503,743	35,592,848
CASH POSITION, END OF YEAR		$ 23,061,703	$ 26,503,743

The related notes are an integral part of these financial statements.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

1. REPORTING ENTITY

The Ontario Securities Commission (the "OSC") is a corporation domiciled in Canada. The address of the OSC's registered office is 20 Queen Street West, Toronto ON M5H 3S8. The OSC is a corporation without share capital and is the regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. BASIS OF PRESENTATION

a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These are the OSC's first financial statements prepared in accordance with IFRS and IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the OSC is provided in Note 21. These financial statements for the year ended March 31, 2012 (including comparatives) were authorized for issue by the Board of Directors on May 22, 2012.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and pension liabilities that are measured net of actuarial gain and losses, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

c. Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency, which have been rounded to the nearest dollar.

d. Use of judgments and estimates

The preparation of financial statements in accordance with IFRS requires that management make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues and expenditures for the period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's forecast expectations.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

The following are the judgments in applying accounting policies apart from those involving estimates that have the most significant effect on the amounts recognized in the financial statements.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

Consolidation of Investor Education Fund (IEF or the "Fund")

The IEF is a non-profit organization funded by settlements and fines from enforcement proceedings of the OSC. There are a number of areas where significant judgment is exercised to establish whether the Fund needs to be consolidated with the OSC. Key areas of judgment include: legal relationship, contractual terms, board and management representation, power to govern, benefits, and materiality. The exercise of judgment in these areas determines whether the fund is consolidated with the OSC. Details related to the IEF are set out in Note 20.

Estimates

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Designated settlements and orders and recovery of enforcement costs
Designated settlements and orders and recovery of enforcement costs are recognized when it is virtually certain that the amount related to the sanction imposed on respondents is collectible. Significant judgment is exercised to determine the recognition of designated settlements and orders and recovery of enforcement costs. Key areas of judgment include: the ability of the respondent to pay the sanction amount, the residency of the respondent and whether the respondent owns any assets. A change in any of the above areas can have a material impact on the OSC's financial statements. Assets and liabilities related to designated settlements and orders will increase and expenses will decrease related to the recoveries of enforcement costs. Details of designated settlements and orders and recovery of enforcement costs are set out in Note 6 and 17 respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening IFRS statement of financial position at April 01, 2010 for the purposes of the transition to IFRS. The OSC has applied certain accounting policies and exemptions upon transition to IFRS. The exemptions applied by the OSC and the effects of the transition to IFRS are presented in Note 21.

a. *Financial Instruments*
Financial assets and financial liabilities are recognized when the OSC becomes a party to the contractual provisions of the instrument.

Financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss, loans and receivables, and other liabilities.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

The OSC has adopted the following classifications for financial assets and financial liabilities:

Loans and receivables
Trade and other receivables and receivables from designated settlements and orders are classified as loans and receivables and are measured at amortized cost, less any impairment loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of a market participant, or default or significant delay in payment) that the OSC will be unable to collect all of the amounts due under the terms of the amount receivable.

Financial assets at fair value through profit or loss
Cash, Funds held pursuant to designated settlements and orders, Funds held for the Canadian Securities Administrators (CSA) systems redevelopment and Reserve fund assets are classified as held-for-trading and recorded at fair value.

Other liabilities
Trade and other payables are classified as other liabilities and measured at amortized cost.

b. Property, Plant and Equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognized in profit and loss and calculated on a straight-line basis over the estimated useful lives of the assets less its residual value, as follows:

Office furniture and equipment	5 to 10 years
Computer hardware and related applications	3 years
Leasehold improvements	over term of the lease

The estimated useful lives, residual values and depreciation method are reviewed at the end of each year, with the effect of any changes in estimates accounted for on a prospective basis.

Computer hardware and related applications held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

Items of property, plant and equipment are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

c. *Revenue Recognition*

Fees are recognized when services are rendered, which is normally upon receipt.

Participation fees
Participation fees are recognized when received because these fees cannot be measured reliably as market capitalization of issuers or the specified Ontario revenue of registrants, on which their participation fees are based, is not determinable prior to receipt. These fees represent the payment for the right to participate in the Ontario capital markets and are deemed to be earned upon receipt.

Activity fees
Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when received.

Late filing fees
Late filing fees in respect of insider trading reports are recognized on the 15th and at the end of each month and include fees related to all insider trading reports filed late in the preceding 15-day period.

Recoveries of enforcement costs
Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order issued by the OSC, unless management determines there is significant doubt as to ultimate collection, in which case recovery is recognized when cash is received.

d. *Funds Held Pursuant to Designated Settlements and Orders*

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders made by the Commission, unless management determines there is significant doubt as to ultimate collection, in which case they are recognized when cash is received.

e. *Employee Benefits*

Ontario's Public Service Pension Plan
The OSC provides pension benefits to its full-time employees through participation in Ontario's Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as sufficient information is not available to apply defined benefit plan accounting to this pension plan. The Province of Ontario is the sole sponsor

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

of the Public Service Pension Plan. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC. Payments made to the above plan are recognized as an expense when employees have rendered service entitling them to the contributions.

Supplemental Pension Plan
The OSC also maintains unfunded supplemental pension plans for certain full-time Commission members as described in Note 12b. The liability recognised in the statement of financial position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognised actuarial gains or losses and past service costs. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions.

The OSC recognizes all actuarial gains and loses arising from the supplemental pension plans in profit and loss using the corridor method.

Other post-employment obligations
The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of Comprehensive Income as described in Note 19(c).

Termination benefits
Termination benefits are generally payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The OSC recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Short-term benefits
Short term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided.

f. Leases

Leases of property, plant and equipment are classified as finance leases when the OSC obtains substantially all the risks and rewards of ownership of the underlying assets. At the inception of the lease, the OSC records an asset together with a corresponding long-term liability at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Any initial direct costs are added to the amount recognized as an asset. Thereafter, the asset is amortized over the shorter of its useful life and the lease term. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

All other leases are classified as operating leases. Lease payments are expensed on a straight-line basis over the term of the lease.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

g. Provisions

Legal

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4. FINANCIAL INSTRUMENTS RISKS

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to maintain a minimal risk. The OSC's financial assets and liabilities by category are summarised in Note 3. The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note presents information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency Risk

The OSC's exposure to currency risk is minimal as only a small number of transactions are in currencies other than Canadian dollars.

Interest Rate Risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's Cash, Funds held pursuant to designated settlements and orders, Funds held for CSA systems redevelopment and Reserve fund assets are held by a Schedule 1 bank. The bank balances earn interest at a rate of 1.75% (2011 – 1.75%) below the prime rate, the average for the year was 1.25% (2011 – 1.01%). The Reserve fund earned interest at an average rate of 1.34% (2011- 0.80%).

A 25 basis points change in the interest rate would impact the OSC's operating surplus as follows:

	Impact on operating surplus			
	25 basis points increase in rates		25 basis points decrease in rates	
Reserve fund assets	$	34,445	$	(34,445)
Cash balance		40,685		(40,685)
	$	75,130	$	(75,130)

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

Credit Risk

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, Funds held for CSA systems redevelopment, Reserve fund assets and trade and other receivables.

The Schedule 1 bank holds approximately 99% of the OSC's financial assets; however, given the nature of this counterparty, it is management's opinion that exposure to concentration of credit risk is minimal.

The OSC's trade and other receivables balance consists of a large number of debtors with individually immaterial outstanding balances, and amounts receivable from the Government of Canada for the recovery of the Harmonized Sales Tax (HST) paid during the year and from the Canadian Securities Transition Office (CSTO) for staff seconded to that office. Therefore, the OSC's exposure to concentration of credit risk is minimal. The OSC maintains an allowance for doubtful accounts. Therefore, the carrying amount of trade and other receivables generally represents the maximum credit exposure. Based on historical information about debtors default rates management considers the credit quality of trade receivables that are not past due or impaired to be good. Collection efforts continue for trade and other receivables balances, including those that are captured in the allowance for doubtful accounts.

The aging of trade and other receivables is as follows:

	March 31, 2012	March 31, 2011
Current	$ 1,702,917	$ 1,260,248
Past due 31 to 60 days	707,645	726,266
Past due 61 to 90 days	38,913	76,178
Past due greater than 90 days	1,208,869	954,746
	$ 3,658,344	$ 3,017,438

Reconciliation of allowance for doubtful accounts:

	Note	March 31, 2012	March 31, 2011
Opening balance		$ 865,510	$ 796,080
Current year provision		117,629	86,265
Written-off during the year		(24,305)	(16,835)
Closing balance	5	$ 958,834	$ 865,510

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

Liquidity Risk

The OSC's exposure to liquidity risk is minimal as the OSC has a sufficient cash balance and reserve funds to settle all current liabilities. As at March 31, 2012, the OSC had a cash balance of $23,061,703 to settle current liabilities of $15,229,808.

The OSC has put in place a $7,500,000 credit facility to address any short-term cash deficiencies. As at March 31, 2012, there is no amount outstanding on the credit facility.

The overall exposure to the above noted risk remains unchanged from 2011.

5. TRADE AND OTHER RECEIVABLES

	Notes		March 31, 2012		March 31, 2011
Trade receivables		$	1,498,637	$	1,351,241
Allowance for doubtful accounts	4		(958,834)		(865,510)
		$	539,803	$	485,731
Other receivables		$	1,177,589	$	972,398
Interest receivable			42,723		95,599
Due from IEF	20		235,617		160,928
HST recoverable			703,778		437,272
		$	2,699,510	$	2,151,928

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

6. FUNDS HELD PURSUANT TO DESIGNATED SETTLEMENTS AND ORDERS

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties as the OSC may determine. The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.75%. A fair and appropriate use for these funds will be determined in accordance with applicable laws, court orders and in the public interest.

As at March 31, 2012, the accumulated balance is determined as follows:

	Note	March 31, 2012	March 31, 2011
Opening balance		$ 43,603,984	$ 43,495,838
Settlements and orders		7,484,906	4,527,223
Interest		530,848	449,785
Payments:			
IEF	20	(4,420,000)	(2,968,862)
Ministry of Finance - Financial Literacy		-	(1,900,000)
Others		(5,000)	-
Closing balance		$ 47,194,738	$ 43,603,984
Represented by:			
Cash		$ 41,786,979	$ 42,860,235
Receivable		5,407,759	743,749
		$ 47,194,738	$ 43,603,984

The opening balance at March 31, 2011 included a settlement for $1,900,000, the allocation of which was subject to the approval of the responsible Minister as required under the provision of the *Securities Act* in effect at the time the settlement was approved. During 2011, the Minister approved an allocation of $1,900,000 to the Ministry of Finance for financial literacy.

The $7,484,906 (2011 – $4,527,223) identified as settlements and orders reflects the portion of $39,986,471 (2011 – $81,407,662) in settlements and orders that were assessed during the year for which payment was either received or has been deemed collectible. As at March 31, 2012, $5,407,759 (2011 - $743,749) is considered receivable because staff has assessed the likelihood of collecting these amounts as virtually certain.

The ending balance at March 31, 2012 includes $27,625,000 received in fiscal 2010 from respondents for settlement orders related to the Asset Backed Commercial Paper (ABCP) investigation. The Commission has announced that it will distribute these funds to eligible investors who purchased third-party ABCP from the respondents. The Commission has appointed a third party to administer the distribution of these funds, which is scheduled to take place in September 2012, after the allocation has been determined.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

7. FUNDS HELD FOR CSA SYSTEMS REDEVELOPMENT

The OSC is in receipt of payments from the operator of the System for Electronic Data Analysis and Retrieval (SEDAR), the National Registration Database (NRD), and the System for Electronic Disclosure by Insiders (SEDI) representing the accumulated surplus from the operations of SEDAR, NRD, and SEDI. During the year, the OSC received payments totaling $16,596,429 (2011 - $15,737,452), earned interest of $879,526 (2011 - $563,280) and made payments totaling $1,834,263 (2011- $555,825). The total accumulated funds as at March 31, 2012 are calculated as follows:

		March 31, 2012		March 31, 2011
Total payment received to date	$	79,241,047	$	62,644,618
Interest earned to date		3,753,068		2,873,542
Less: Payments made to date		(2,472,212)		(638,009)
Total accumulated funds	$	80,521,903	$	64,880,151

These funds are held in trust by the OSC in accordance with agreements amongst the OSC, the Alberta Securities Commission, the British Columbia Securities Commission, and L'Autorité des marchés financiers. In the case of NRD, the Investment Industry Regulatory Organization of Canada is also a party to the applicable agreement. These funds shall be used to offset any shortfall in revenues from the systems, to develop or enhance the systems and to reduce fees charged to users of the systems. These funds are held in segregated bank accounts and earn interest at the monthly average bank prime rate less 1.75%.

The CSA plan to redevelop these systems in a multi-year phased approach. Funding for this redevelopment program will come from the accumulated surplus amounts. As at March 31, 2012, accumulated payments totaling $2,472,212 (2011 - $638,009) related to the development or enhancement of the systems were made for the following purposes:

		March 31, 2012
To provide procurement and information technology law advice	$	782,306
To provide information technology and business process outsourcing advice		567,637
To design an Enterprise Architecture for the CSA National Systems		555,825
To provide data architecture services and support		302,022
Staff support for the CSA National Systems development		165,138
To provide a vision for the Enterprise Architecture		82,184
To design web user interface		17,100
Total	$	2,472,212

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

8. RESERVE FUND ASSETS

As part of the approval of its self-funded status, the OSC was allowed to establish a $20,000,000 reserve to be used as an operating contingency against revenue shortfalls or unanticipated expenditures.

The prime investment consideration for the reserve is the protection of principal and the appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. The accumulated funds, at March 31, 2012, are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.75%.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

9. PROPERTY, PLANT AND EQUIPMENT

	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Leasehold improvements	Total
Gross carrying amount						
Balance as at April 1, 2011	$ 4,123,859	$ 581,182	$ 15,664,187	$ 421,593	$ 9,957,151	$ 30,747,972
Additions	54,359	-	1,751,516	-	70,928	1,876,803
Disposals	(14,466)	-	(517,860)	(25,765)	-	(558,091)
Balance at March 31, 2012	$ 4,163,752	$ 581,182	$ 16,897,843	$ 395,828	$ 10,028,079	$ 32,066,684
Depreciation						
Balance as at April 1, 2011	$ (3,658,696)	$ (423,309)	$ (14,074,112)	$ (250,091)	$ (8,431,006)	$ (26,837,214)
Depreciation for the year	(170,280)	(7,357)	(748,160)	(42)	(917,861)	(1,843,700)
Disposals	14,466	-	517,728	25,765	-	557,959
Balance at March 31, 2012	$ (3,814,510)	$ (430,666)	$ (14,304,544)	$ (224,368)	$ (9,348,867)	$ (28,122,955)
Carrying amount at March 31, 2012	$ 349,242	$ 150,516	$ 2,593,299	$ 171,460	$ 679,212	$ 3,943,729
Gross carrying amount						
Balance as at April 1, 2010	$ 4,084,489	$ 581,182	$ 14,640,137	$ 592,465	$ 9,809,765	$ 29,708,038
Additions	40,136	-	1,133,373	-	147,386	1,320,895
Disposals	(766)	-	(109,323)	(170,872)	-	(280,961)
Balance at March 31, 2011	$ 4,123,859	$ 581,182	$ 15,664,187	$ 421,593	$ 9,957,151	$ 30,747,972
Depreciation						
Balance as at April 1, 2010	$ (3,472,989)	$ (403,264)	$ (12,694,435)	$ (374,463)	$ (7,443,998)	$ (24,389,149)
Depreciation for the year	(186,473)	(20,045)	(1,489,000)	(46,500)	(987,008)	(2,729,026)
Disposals	766	-	109,323	170,872	-	280,961
Balance at March 31, 2011	$ (3,658,696)	$ (423,309)	$ (14,074,112)	$ (250,091)	$ (8,431,006)	$ (26,837,214)
Carrying amount at March 31, 2011	$ 465,163	$ 157,873	$ 1,590,075	$ 171,502	$ 1,526,145	$ 3,910,758

Effective April 01, 2011, the OSC changed its estimates of the useful lives of the computer hardware and related applications. The useful lives of these assets were previously estimated to be two years, and now been changed to three years. The OSC made these changes to better reflect the estimated periods during which such assets will remain in service. The effect of these changes on depreciation expense in the current and future years is as follows:

	2012	2013	2014
(Decrease) increase in depreciation expense	$ (515,965)	$ 65,436	$ 395,942

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

10. TRADE AND OTHER PAYABLES

	March 31, 2012	March 31, 2011
Trade payables	$ 1,971,359	$ 749,476
Payroll accruals	12,221,197	11,402,052
Other accrued expenses	1,035,621	1,223,103
	$ 15,228,177	$ 13,374,631

11. LEASE COMMITMENTS

a) Operating leases

The OSC has entered into operating lease agreements for equipment and office space and is committed to operating lease payments as follows:

	March 31, 2012	March 31, 2011
Less than one year	$ 6,977,370	$ 6,085,247
Between one and five years	25,199,130	2,541,941
More than five years	-	-
	$ 32,176,500	$ 8,627,188

Lease expense recognised during the period amounted to $6,296,593 (2011 - $6,232,178). This amount consists of minimum lease payments. A small portion of the OSC'S office space is sublet to the IEF which is recorded as miscellaneous revenue. Sublease payments of $42,730 are expected to be received during the next year.

The lease on OSC premises was renewed for an additional five years beginning August 30, 2012 and expiring on August 31, 2017. The OSC has two consecutive options to extend the term beyond August 31, 2017, each for a period of five years. The OSC operating lease agreements do not contain any contingent rent clauses.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

b) Finance leases

The OSC has entered into finance lease agreements for computer hardware and related applications. The total interest expense recorded on the lease obligation for the year ended March 31, 2012 is $2,110 (2011 - $7,053). The following is a schedule of future minimum lease payments for the finance leases, which expire on or before April 30, 2012:

	Minimum lease payments March 31 2012	 2011	Present value of minimum lease payments March 31 2012	 2011
Less than one year	$ 1,631	$ 80,577	$ 1,631	$ 79,011
Between one and five years	-	1,638	-	1,590
More than five years	-	-	-	-
	$ 1,631	$ 82,215	$ 1,631	$ 80,601
Less: future finance charges		1,806		1,787
Total	$ 1,631	$ 80,409	$ 1,631	$ 78,814

The total obligation under finance leases of $1,631 consists of a current portion of $1,631 (2011 – $78,778) and a non-current portion of $0 (2011 - $1,631).

12. PENSION PLANS

a) Ontario Public Service Pension Plan

All eligible OSC employees must, and members may, participate in the Ontario Public Service Pension Plan. The OSC's contribution to the Public Service Pension Plan for the year ended March 31, 2012 was $4,164,416 (2011 - $3,881,224), which is included under salaries and benefits in the Statement of Comprehensive Income.

b) *Supplemental pension plans*

The OSC also has unfunded supplemental defined benefit pension plans for the OSC's current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	March 31, 2012	March 31, 2011
Discount rate(s)	3.8%	5.0%
Inflation	2.5%	2.5%
Expected rate(s) of salary increase	0	2.1%
CPP YMPE increase	3.0%	3.0%
Increase in CRA limit	$ 2,646.67	$ 2,552.22

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

Amount recognized in profit or loss as follows:

	March 31, 2012	March 31, 2011
Service cost with interest	$ 83,329	$ 147,064
Interest cost on defined obligation	101,563	98,431
Amortization of past service cost	-	94,158
Amortization of net actuarial losses/(gains)	(25,978)	-
Recovery from the CSTO	(41,936)	(32,546)
	$ 116,978	$ 307,107

The expense for the year is included in the salaries and benefits expense in the statement of comprehensive income.

The amount included in the statement of financial position arising from the OSC's obligation in respect to its supplemental benefits plans is as follows:

	March 31, 2012	March 31, 2011
Defined benefit obligation	$ 2,377,608	$ 2,021,767
Fair value of the assets	-	-
Funded status	(2,377,608)	(2,021,767)
Unamortized net actuarial loss	361,267	16,573
Recognized pension liabilities	$ (2,016,341)	$ (2,005,194)

Movements in the present value of the defined benefit obligations in the current year were as follows:

	March 31, 2012	March 31, 2011
Opening defined benefit obligations	$ 2,021,767	$ 1,782,872
Current service cost	83,329	147,064
Interest cost	101,563	98,431
Benefit payment	(147,767)	(117,331)
Plan amendment	-	94,158
Actuarial losses	318,716	16,573
Closing defined benefit obligation	$ 2,377,608	$ 2,021,767

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

The development of the OSC's supplemental plans may be summarized as follows (amount before the date of transition are not shown as the OSC applies the exemption in IFRS 1):

	March 31, 2012	March 31, 2011
Present value of the defined benefit obligation	$ 2,377,608	$ 2,021,767
Fair value of plan assets	-	-
Deficit in the plan	$ (2,377,608)	$ (2,021,767)
Experience adjustments:		
Plan liabilities	$ 24,268	$ 48,585

The OSC expects to incur $145,500 in benefit payments from the supplemental pension plan during next fiscal year.

13. CAPITAL MANAGEMENT

The OSC has established a $20,000,000 reserve fund as described in Note 8(a), which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls or unanticipated expenditures. The OSC's overall strategy remains unchanged from 2011.

The OSC maintains an investment policy whereby reserve funds are restricted to direct and guaranteed obligations of the Government of Canada and its provinces and to instruments issued by Canadian Schedule 1 banks to protect the principal.

The OSC has put in place a $7,500,000 credit facility to address any short-term cash deficiencies.

The OSC is not subject to any externally imposed capital requirements.

14. FEES

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities and are intended to serve as a proxy for the market participant's use of the Ontario capital markets. Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Any general operating surpluses generated are normally returned to market participants by way of fees that are lower than otherwise required to recover costs, or direct refunds. The Commission revised its participation fees and activity fees effective April 05, 2010, with participation fees being subsequently adjusted at the beginning of fiscal years 2012 and 2013. The forecasted General Operating Surplus at March 31, 2010 was used to establish the revised participation fees rates.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

Details of fees received for the year ended March 31, 2012 are as follows:

	March 31, 2012	March 31, 2011
Participation fees	$ 71,694,825	$ 58,403,578
Activity fees	10,727,761	11,777,063
Late filing fees	2,759,796	2,386,025
	$ 85,182,382	$ 72,566,666

15. SALARIES AND BENEFITS

	March 31, 2012	March 31, 2011
Salaries	$ 58,052,798	$ 54,895,869
Benefits	5,938,444	5,472,362
Pension expense	4,281,394	4,188,331
Severance/termination payments	1,142,111	1,487,805
	$ 69,414,747	$ 66,044,367

16. ADMINISTRATIVE

	March 31, 2012	March 31, 2011
Commission expense	$ 1,622,531	$ 1,534,326
Communications & publications	1,319,783	1,298,902
Maintenance & support	1,442,961	1,296,242
Supplies	899,023	869,946
Other expenses	682,305	619,795
Training	851,402	575,995
	$ 6,818,005	$ 6,195,206

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

17. RECOVERIES OF ENFORCEMENT COSTS

	March 31, 2012	March 31, 2011
Total recoveries of enforcement cost	$ 1,138,500	$ 702,881
Consist of:		
External resources	$ 715,500	$ 405,000
Internal resources	423,000	297,881

18. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

a) The OSC has committed to paying its share of annual shortfalls resulting from the operations of the following, should they occur and accumulated surpluses are unavailable, as follows:

	March 31, 2012
SEDAR	45.10%
NRD	36.07%
SEDI	25.00%

The systems are operated by an external agency on behalf of the CSA under agreements dated as of August 01, 2004 for SEDAR, October 26, 2001 for SEDI and June 13, 2003 for NRD. The Alberta Securities Commission, the British Columbia Securities Commission, L'Autorité des marchés financiers, and the Investment Industry Regulatory Organization of Canada (in the case of NRD only) have also committed to paying specified percentages of any annual deficit in the systems.

In the current year, there were no deficits. As described in Note 7, the OSC is holding funds in trust that may be used to offset shortfalls in revenue in SEDAR, SEDI, and NRD.

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

	March 31, 2012	March 31, 2011
Total accumulated funds	$ 80,521,903	$ 64,880,151
Available for:		
SEDAR	$ 28,190,836	$ 25,825,385
NRD	37,011,477	28,118,685
SEDI	15,319,590	10,936,081
	$ 80,521,903	$ 64,880,151

b) The OSC is involved in various legal actions arising from the ordinary course and conduct of business. The outcome and ultimate disposition of these actions cannot be measured with sufficient reliability at this time; however, management does not expect the outcome of any of these proceedings, individually or in aggregate, to have a material impact on the OSC's financial position. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs.

19. RELATED PARTY TRANSACTIONS

Transactions with the Province of Ontario
In the course of normal operations, the OSC entered into transactions with the Province of Ontario as follows:

a. The *Securities Act* states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in Note 14 and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Ministry.

b. The OSC has a tri-party agreement with the Ontario Financing Authority to facilitate banking arrangements with a Schedule 1 bank.

c. Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the statement of comprehensive income.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

Compensation to Key Management Personnel

Key management of the OSC are members of the board of directors, Chair, Vice chairs and Executive Director. Key management personnel remuneration includes the following expenses:

	March 31, 2012	March 31, 2011
Short-term employee benefits	$ 3,097,318	$ 2,474,831
Post-employment benefits	235,722	258,911
Termination benefits	-	473,379
Total compensation	$ 3,333,040	$ 3,207,121

20. **INVESTOR EDUCATION FUND**

a) The IEF was incorporated by letters patent of Ontario dated August 03, 2000 as a non-profit corporation without share capital. The Fund is managed by a separate Board of Directors and its purpose is to increase knowledge and awareness among investors and potential investors and to support research and develop programs and partnerships which promote investor and financial education in schools and among adult learners.

The OSC is the sole voting member of the Fund. However, the OSC has determined, based on an evaluation of the terms and conditions of the arrangement, that investors in the capital market, rather than the OSC, obtain the benefit or rewards from the IEF. As such the OSC does not control the Fund, and the Fund has not been consolidated in the OSC's financial statements as discussed in Note 2(d). The Fund is exempt from income taxes.

Financial statements of the Fund are available on request. The information below is not required by IFRS. Financial summaries of this unconsolidated entity as at March 31, 2012 and 2011 and for the two years ended March 31, 2012 are as follows:

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

	March 31, 2012	March 31, 2011
Financial Position		
Total assets	$ 2,592,668	$ 2,408,961
Less: Total liabilities	836,193	482,465
Total net assets	$ 1,756,475	$ 1,926,496
Less: Invested in premises and equipment	583,909	142,905
Available for Fund purposes	$ 1,172,566	$ 1,783,591
Results of Operations		
Total contributions and interest income	$ 4,444,792	$ 2,988,996
Total expense	4,614,813	3,028,780
Deficiency of revenue over expenses	$ (170,021)	$ (39,784)
Cash Flows		
Cash flows from operating activities		
Cash receipts from the OSC	$ 4,420,000	$ 2,968,862
Cash receipts from third party	237,671	178,106
Interest income received	24,831	19,133
Cash paid for initiatives and expenses	(4,725,342)	(3,339,727)
Cash paid for premises and equipment	(528,480)	(23,134)
Net decrease in cash position	$ (571,320)	$ (196,760)
Cash position, beginning of period	2,031,813	2,228,573
Cash position, end of period	$ 1,460,493	$ 2,031,813

b) During the year, the OSC entered into transactions with the Fund as follows:

i) The OSC paid $4,420,000 to the Fund (2011 - $2,968,862). These payments were from Funds held pursuant to designated settlements and orders as described in Note 6.

ii) The OSC has a Management Services agreement with the Fund for the provision of administrative and management services, at cost. For the period ended March 31, 2012, the OSC incurred costs totalling $905,438 (2011 - $764,092) for services related to the Fund. The total cost of these services has been charged to the Fund and, of this amount, $235,617 is owing to the OSC as of March 31, 2012 (2011 - $160,928).

iii) Subsequent to year end, the Commission approved funding totalling $3,900,000 for the IEF for the 2013 fiscal year.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

21. TRANSITION TO IFRS

As stated in Note 2, these financial statements for the year ending March 31, 2012 are the OSC's first financial statements prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and in the preparation of an opening IFRS statement of financial position at April 01, 2010 (the OSC's date of transition).

In preparing its opening IFRS statement of financial position, the OSC has adjusted amounts reported previously in financial statements prepared in accordance with pre-changeover Canadian GAAP. The overall impact of the transition from pre-changeover GAAP to IFRS is not material to the OSC's financial position, financial performance and cash flows. Below is the explanation of how the transition from pre-changeover Canadian GAAP to IFRS has affected the OSC.

RECONCILIATION OF PRE-CHANGEOVER CANADIAN GAAP TO IFRS

Reconciliation of Operating Surplus

		March 31, 2011	April 01, 2010
OPERATING SURPLUS UNDER PRE-CHANGEOVER CANADIAN GAAP		$ 37,675,597	$ 48,767,478
Differences increasing (decreasing) reported Operating Surplus:			
Employee Benefits	a	(121,748)	(35,682)
Property, Plant & Equipment	b	219,583	(32,365)
Other	c	98,244	98,244
OPERATING SURPLUS UNDER IFRS		$ 37,871,676	$ 48,797,675

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

Reconciliation of Deficiency in Statement of Comprehensive Income

		March 31, 2011
DEFICIENCY UNDER PRE-CHANGEOVER CANADIAN GAAP		$ (11,091,881)
Differences increasing (decreasing) reported Deficiency:		
Employee Benefits	a	(86,066)
Property, Plant & Equipment	b	251,948
DEFICIENCY UNDER IFRS		$ (10,925,999)

Reconciliation of the Statement of Cash Flows

There were no material changes to the statement of cash flows on adoption of IFRS.

Explanatory Notes

a. Employee Benefits

In accordance with IAS 19, *Employee Benefits*, an entity may elect to use a "corridor" approach that requires, as a minimum, only a specified portion of actuarial gains and losses to be recognized in a given year. Retrospective application of this approach requires an entity to split the cumulative actuarial gains and losses from the inception of the plan until the date of transition to IFRS into a recognized portion and an unrecognized portion. However, IFRS 1 permits a first-time adopter to elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS even if it uses the corridor approach for later actuarial gains and losses. If a first-time adopter uses this election, it will apply it to all plans.

The OSC elected to charge all cumulative actuarial gains and losses from the inception of the supplemental pension plans to the date of transition to IFRS to the opening operating surplus. At the date of transition, the opening operating surplus is decreased by $35,682, offset by a corresponding increase in the pension liability. At March 31, 2011, the operating surplus is decreased by $86,066, offset by a corresponding increase in the pension liability.

IFRS 1 also provides an optional exemption with respect to IAS 19 disclosures. Among the prescribed disclosures of IAS 19, an entity is required to disclose for the current and previous four annual periods related to the present value of the defined benefit obligation, the surplus or deficit in the plan, and experience adjustments arising on the plan liabilities. The IFRS 1 exemption allows a first-time adopter to disclose these amounts prospectively from the date of transition to IFRS. The OSC has elected this exemption and provides disclosure prospectively from the date of transition.

ONTARIO SECURITIES COMMISSION

Notes to the financial statements

b. Property, Plant & Equipment

IAS 16 requires the depreciation of an asset to begin when it is available for use. The OSC previous accounting policy was to commence the depreciation of an asset in the beginning of the fiscal year following the acquisition. To reflect this change in accounting policy, at the date of transition to IFRS, the opening operating surplus is decreased by $32,365, offset by a corresponding decrease in PP&E. At March 31, 2011, the operating surplus is increased by $251,948, offset by a corresponding increase in PP&E.

c. Other

The OSC's statement of financial position includes a balance of $98,244 in contributed surplus. This amount represents the value of the assets transferred to the OSC by the Government of Ontario when the OSC became a self-funded organization. IFRS does not specifically address contributed surplus. IAS 8 requires that management use its judgment and ensure that the accounting policy applied is consistent with the IFRS Framework. As a result, the OSC has opted to transfer the amount in contributed surplus to the general operating surplus, creating an increase in opening operating surplus of $98,244 as at April 01, 2010.

22. ACCOUNTING PRONOUNCEMENTS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended March 31, 2012, and have not been applied in preparing these financial statements. None of these is expected to have a material impact on the financial statements of the OSC.

IFRS 9 *Financial instruments*

In October 2010, the IASB released IFRS 9, *Financial instruments*, which is the first part of a three-part project to replace IAS 39, *Financial instruments: Recognition and Measurement*. This first part only covers classification and measurement of financial assets and financial liabilities, with impairment of financial assets and hedge accounting being addressed in the other two parts. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, requirements for measuring a financial liability at fair value have changed, as the portion of the changes in fair value related to the entity's own credit risk must be presented in OCI rather than in the statement of income. IFRS 9 will be effective for fiscal years beginning on January 01, 2015, with earlier application permitted. The OSC has not yet assessed the impact of the adoption of this standard on its financial statements.

ONTARIO SECURITIES COMMISSION
Notes to the financial statements

IFRS 10 *Consolidated Financial Statements*
In May 2011, the IASB issued IFRS 10 *Consolidated Financial Statements* to replace IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. The new standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 must be applied starting January 01, 2013 with early adoption permitted. The OSC does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*
In May 2011, the IASB released IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The standard requires an entity to disclose information regarding the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 will be effective for fiscal years beginning on or after January 01, 2013, with earlier application permitted. The OSC does not expect IFRS 10 to have a material impact on the financial statements.

IFRS 13, *Fair value measurement*
In May 2011, the IASB released IFRS 13, *Fair value measurement*. IFRS 13 will improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The standard will be effective for fiscal years beginning on January 01, 2013, with earlier application permitted. The OSC does not expect IFRS 10 to have a material impact on the financial statements.

IAS 19, *Employee Benefits*
In June 2011, the IASB amended IAS 19, *Employee Benefits* ("IAS 19"). This amendment eliminated the use of the 'corridor' approach and mandates that all remeasurement impacts be recognized in OCI. It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. This amendment clarifies when a company should recognize a liability and an expense for termination benefits. The amendment to IAS 19 will be effective for fiscal years beginning on January 01, 2013, with earlier application permitted. The OSC does not expect IAS 19 to have a material impact on the financial statements.

Ontario Tourism Marketing Partnership Corporation

Management Report

The accompanying financial statements are the responsibility of the management of the Ontario Tourism Marketing Partnership Corporation. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. The statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by BDO Canada LLP, a firm of independent external auditors appointed by the Board of Directors, whose report follows.

Lidia Malecky

Ronald Holgerson
President and CEO
June 5, 2012

Lidia Maleckyj
Treasurer
June 5, 2012

BDO

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Independent Auditor's Report

To the Board of Directors of
Ontario Tourism Marketing Partnership Corporation

We have audited the accompanying financial statements of Ontario Tourism Marketing Partnership Corporation, which comprise the balance sheet as at March 31, 2012, statement of operations, statement of changes in fund balances, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Tourism Marketing Partnership Corporation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Mississauga, Ontario
June 5, 2012

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Balance Sheet

March 31	2012 ($ 000)	2011 ($ 000)
ASSETS		
Current		
Cash	**10,039**	6,205
Accounts receivable	**1,192**	1,733
Due from the province	**5,165**	10,881
Inventory	**41**	106
Prepaid expenses	**467**	106
	16,904	19,031
Capital assets (Note 3)	**3,506**	4,474
	20,410	23,505
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	**4,844**	6,817
Deferred revenue (Note 4)	**3,190**	9,785
	8,034	16,602
Deferred capital contributions (Note 5)	**689**	560
	8,723	17,162
Contingent liabilities (Note 12)		
Fund Balances		
Investment in capital assets	**2,817**	3,914
Special projects fund (Note 2h)	**6,770**	-
Unrestricted fund	**2,100**	2,429
	11,687	6,343
	20,410	23,505

Approved on behalf of the Board:

Chair

Director

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Operations

For the year ended March 31	**2012 ($ 000)**	2011 ($ 000)
Revenues		
Province of Ontario Grant (Note 6)	**48,856**	44,981
Advertising sales	**2,694**	2,273
Travel Information Centres - Sales and rentals	**925**	908
Interest income	**149**	81
Trade promotions	**244**	203
Amortization of deferred contribution	**121**	-
Government of Canada	**-**	96
Marketing research and other revenue	**85**	176
	53,074	48,718
Expenses		
Advertising and marketing	**29,634**	24,139
Partnerships and sales	**948**	1,713
Travel Information Centres (Note 7)	**6,689**	6,841
Administration (Note 8)	**7,181**	7,079
Tourism consumer information services	**3,586**	2,870
Events marketing program	**2,376**	2,908
Research	**908**	949
Amortization of capital assets	**1,364**	1,121
Board and committee expenses (Note 9)	**44**	31
	52,730	47,651
Excess of revenues over expenses	**344**	1,067

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Changes in Fund Balances

For the year ended March 31, 2012

	Unrestricted Fund ($ 000)	Special Projects Fund ($ 000)	Investment in Capital Asset ($ 000)	2012 Total ($ 000)	2011 Total ($ 000)
Net assets, beginning of the year	2,429	-	3,914	6,343	5,276
Excess (deficiency) of revenues over expenditures for the year	1,708	-	(1,364)	344	1,067
Transfer from deferred revenue for TCIS redevelopment project	-	5,000	-	5,000	-
Reserve for TCIS redevelopment project	(1,770)	1,770	-	-	-
Purchase of capital assets, net	(267)	-	267	-	-
Net assets, end of year	2,100	6,770	2,817	11,687	6,343

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Cash Flows

For the year ended March 31	**2012** **($ 000)**	2011 ($ 000)
Cash provided by operating activities		
Excess of revenues over expenses	**344**	1,067
Add non-cash items:		
Amortization of capital assets	**1,364**	1,121
	1,708	2,188
Change in non-cash working capital	**2,393**	1,778
	4,101	3,966
Cash used in investing activities		
Capital asset additions	**(396)**	(1,457)
Cash obtained through financing activities		
Deferred capital contribution	**129**	560
Increase in cash during the year	**3,834**	3,069
Cash, beginning of year	**6,205**	3,136
Cash, end of year	**10,039**	6,205

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2012

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1. NATURE OF CORPORATION

The Ontario Tourism Marketing Partnership Corporation (OTMPC) was established as a corporation without share capital on November 30, 1998 pursuant to Ontario Regulation 618/98 made under the *Development Corporations Act.* The Regulation was amended by Ontario Regulation 271/04 in September, 2004 to extend the mandate of the Corporation indefinitely. The Corporation commenced active operations on April 1, 1999. The objects of the Ontario Tourism Marketing Partnership Corporation are:

(a) to market Ontario as a travel destination;
(b) to undertake joint marketing initiatives with the tourism industry;
(c) to support and assist the marketing efforts of the tourism industry; and
(d) in co-operation with the tourism industry, the Government of Ontario, other governments and other agencies of governments, to promote Ontario as a travel destination.

The Corporation enters into agreements with private and public sector partners in order to add value to tourism marketing programs. The Corporation tracks the dollar value (leverage, in-kind) of such agreements to demonstrate the impact of the Corporation's investment on the partnered marketing programs. However, related partner revenues and expenses are not included in the Corporation's financial statements.

The Corporation is a not-for-profit organization, and thus not subject to income tax.

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2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are the representations of management and are prepared in accordance with Canadian generally accepted accounting principles.

(b) Revenue Recognition

The corporation follows the deferral method of accounting for revenues.

Province of Ontario Grant

The Corporation is funded primarily by the Province of Ontario. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in a subsequent period.

Advertising Sales and Travel Information Centers – Sales and rentals

Revenue from Advertising sales and Travel Information Centres – Sales and rentals is recognized in the period in which the service is provided or the program is run, the amount can be reasonably estimated and collection is reasonably assured.

Interest Income

Interest Income is recognized in the period in which it is earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other

Other revenue items are recognized in the period in which they relate, when the amount can be reasonably estimated and collection is reasonably assured.

(c) Partner Support

The Corporation benefits from donated services provided by the tourism industry, such as transportation costs (airline and bus tickets), and accommodation and meal costs (discounted or free hotel rooms and restaurant charges). Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(d) Inventory

Inventory is comprised of merchandise available for sale at the Travel Information Centres.

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(e) Capital Assets

All capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the asset, with half a year amortization taken in the year of acquisition and disposition. All capital assets are amortized over three to five years.

Assets in progress represent assets under construction or development. These assets are not amortized until they are put in use.

(f) Deferred Capital Contributions

Deferred capital contributions represent amounts received from Ministry of Tourism and Culture to finance the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the related assets.

(g) Funds Invested in Capital Assets

Funds invested in capital assets represents funds provided for capital assets. The financing of funds invested in capital assets is transferred from operations on an annual basis.

(h) Special Projects Fund

The Board approved the creation of a Special Projects Fund to provide for longer term special projects. The Fund represents externally and internally restricted funds required to meet financial costs of long-term special projects approved by the Board. At this time $5,000,000 of externally restricted funds and $1,770,000 of internally restricted funds are being held for the Tourism Consumer Information Services redevelopment project. It is expected that an RFP will be issued in the summer of 2012 and that the project will be contracted by late fall, to start soon after that.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

(j) Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Loans and receivables

These assets are non-derivative financial assets, recognized at fair value, resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of services to customers (accounts receivable and due from the province), but also incorporate other types of contractual monetary assets.

Other financial liabilities

Other financial liabilities are recognized at fair value and include trade payables and other short-term monetary liabilities.

(k) Capital Management

The Corporation's capital consists of its fund balances. The Corporation's primary objective of capital management is to ensure that it has sufficient resources to continue to promote tourism in Ontario. The Corporation is not subject to any externally imposed capital requirements.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2012

3. CAPITAL ASSETS

	2012 ($ 000)			2011 ($ 000)
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture	395	247	148	153
Leasehold improvements	1,565	1,085	480	800
Tourism consumer information system	5,833	2,993	2,840	2,311
Assets in progress	38	-	38	1,210
	7,831	4,325	3,506	4,474

4. DEFERRED REVENUE

	2012 ($ 000)	2011 ($ 000)
Ministry of Tourism and Culture		
Regional web	-	140
TCIS redevelopment project (Note 2h)	-	5,000
Research – RTO projects	1,000	1,000
RTO Project funding	-	454
OTICS	50	200
TEMPP	-	160
Convention development fund	1,926	2,750
Research – RTO projects	150	-
Advertising programs	64	81
	3,190	9,785

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received relating to acquisition of capital assets:

	2012 ($ 000)			2011 ($ 000)
	Contributed	Accumulated Amortization	Net Book Value	Net Book Value
Contributions received	810	121	689	560

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2012

6. REVENUE: PROVINCE OF ONTARIO

The Corporation received funding from the Province as follows:

	2012 ($ 000)	2011 ($ 000)
Core funding	**38,432**	38,760
Travel Information Centres	**4,331**	4,331
Media Buys	**5,165**	66
Great Outdoors Project	**248**	351
Events Marketing	**160**	314
International Indian Festival Awards	**15**	660
TCIS Solutions Architect and Grants Review	**40**	145
National Geographic Marketing re RTOS	**190**	-
Summer Experience Program	**275**	354
	48,856	44,981

7. TRAVEL INFORMATION CENTRES

The expenditures for the Travel Information Centres are as follows:

	2012 ($ 000)	2011 ($ 000)
Salaries and benefits	**3,505**	3,577
Accommodation	**1,979**	1,927
Services	**348**	502
Transportation and communications	**198**	197
Supplies and equipment	**112**	73
Merchandise for sale	**547**	565
	6,689	6,841

Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of $184 (2011 - $167).

8. ADMINISTRATIVE EXPENSES

Certain costs of administration such as legal and human resources support services were provided by the Ministry of Tourism without charge. All other administrative expenses are borne by the Corporation and are as follows:

	2012 ($ 000)	2011 ($ 000)
Salaries and benefits	**5,777**	5,863
Services	**1,218**	1,046
Transportation and communications	**150**	136
Supplies and equipment	**36**	34
	7,181	7,079

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province. These plans are accounted for as defined contribution plans, as the Corporation has insufficient information to apply defined benefit plan accounting to these pension plans. Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of $381 (2011 – $362).

Costs of post-retirement non-pension employee benefits are paid by the Management Board Secretariat and are not included in administrative expenses.

9. BOARD AND COMMITTEE EXPENSES

Board and committee members are reimbursed for travel expenses incurred to attend board of directors and related committee meetings. Board and committee members do not receive per diems to attend board and committee meetings

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2012

10. SALARY DISCLOSURE

Section 3(5) of the Public Sector Salary Disclosure Act, 1996 required disclosure of Ontario public-sector employees who were paid an annual salary in excess of $100,000. For the Corporation, in the calendar year 2011, this disclosure requirement is as follows:

Name	Position	Salary ($)	Taxable Benefits ($)
Kenny, William	Vice President, Industry Relations	$138,148	$196
Guiry, Liana	Vice President, Marketing	$125,632	$000
Rubinstein, Suzanne	Director, Ontario Travel Information Centres	$116,349	$164
Milner, Christopher	Director, Northern Partnerships	$114,141	$164
Mathias, Raymond	Director, Overseas Marketing	$114,141	$164
Holliday, Julia	Director, Interactive Marketing and Call Centres	$113,634	$164
Hamazaki, Harvey	Trade Consultant, Asia	$109,895	$193
Ramkissoonsingh, Narvin	Director, Partnerships	$109,568	$159
Pezzutto, Mara	Manager, North America Marketing	$106,892	$154
Forgacs, Katalin	Manager, Research	$104,517	$148
Tuckett, Debbie	Projects Co-ordinator, Industry Relations	$103,070	$140
Nahm, Jane	Manager, Operations	$101,723	$147

11. COMMITMENTS

The corporation has various operating leases for its premises and advertising. The minimum annual payments for the next five years and thereafter are as follows:

	($ 000)
2013	987
2014	886
2015	796
2016	576
2017	568
Thereafter	663

12. CONTINGENT LIABILITIES

The Corporation is involved in legal matters, the outcomes of which are not within the Corporation's complete control and may not be known for prolonged periods of time. The Corporation records a liability in the financial statements when the loss is known or considered likely and the amount can be reasonably estimated. Should any loss result from the resolution of these matters, such loss would be charged against income in the year the claim is determined. Management is confident that any liability arising from these matters will have no material impact on the financial statements.

Ontario Trillium Foundation

Management's Responsibility For Financial Information

The accompanying financial statements of the Ontario Trillium Foundation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance & Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the foundation, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by KPMG LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the auditors' examination and opinion.

A Pashley.

Anne Pashley
Interim Chief Executive Officer

Kelly Ta

Kelly Taiabjee
Acting Vice-President,
Finance and Administration

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Trillium Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of Ontario Trillium Foundation, which comprise the statement of financial position as at March 31, 2012, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

KPMG

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Trillium Foundation as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 14, 2012
Toronto, Canada

ONTARIO TRILLIUM FOUNDATION

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Cash	$ 1,182,571	$ 1,221,652
Prepaid expenses and other	1,049,712	732,080
Investments (note 2)	148,556,914	124,848,978
Capital assets (note 3)	1,981,870	603,950
	$ 152,771,067	$ 127,406,660
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 2,622,018	$ 1,574,209
Deferred contributions (note 4(a))	7,193,107	5,913,103
Grants payable (note 4(b))	140,383,900	117,347,306
	150,199,025	124,834,618
Net assets:		
Invested in capital assets	1,981,870	603,950
Unrestricted	590,172	1,968,092
	2,572,042	2,572,042
Commitments (note 7)		
	$ 152,771,067	$ 127,406,660

See accompanying notes to financial statements.

On behalf of the Board:

Jan Passmore Janet Passmore, Acting Chair

Brian Hutchings, Treasurer

ONTARIO TRILLIUM FOUNDATION

Statement of Operations

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Ontario government funding (note 4(a))	$ 158,975,596	$ 122,458,526
Grants rescinded or recovered (note 4(a))	2,758,847	1,494,209
Investment income (note 4(a))	3,189,948	1,355,443
	164,924,391	125,308,178
Expenses:		
Program activities:		
Grants pledged (note 4(b))	151,068,400	111,808,400
Grantmaking expenses (note 4(a))	11,739,534	11,241,316
Services to the community (note 6)	425,466	642,972
	163,233,400	123,692,688
Support services (note 4(a))	1,192,449	1,127,825
Amortization	498,542	487,665
	164,924,391	125,308,178
Excess of revenue over expenses	$ –	$ –

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

			2012	2011
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 603,950	$ 1,968,092	$ 2,572,042	$ 2,572,042
Excess (deficiency) of revenue over expenses	(498,542)	498,542	–	–
Purchase of capital assets	1,876,462	(1,876,462)	–	–
Net assets, end of year	$ 1,981,870	$ 590,172	$ 2,572,042	$ 2,572,042

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Amortization of capital assets which does not involve cash	$ 498,542	$ 487,665
Change in non-cash operating items	25,046,775	8,190,928
	25,545,317	8,678,593
Investing activities:		
Purchase of investments	(1,054,162,127)	(2,489,305,517)
Disposal of investments	1,030,454,191	2,481,399,135
Purchase of capital assets	(1,876,462)	(398,194)
	(25,584,398)	(8,304,576)
Increase (decrease) in cash	(39,081)	374,017
Cash, beginning of year	1,221,652	847,635
Cash, end of year	$ 1,182,571	$ 1,221,652

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

Ontario Trillium Foundation (the "Foundation" or "OTF"), an agency of the Ministry of Tourism, Culture and Sport (the "Ministry"), is financially supported by the Ontario government. OTF began operations as an arm's-length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to build healthy and vibrant communities throughout Ontario, by strengthening the capacity of the voluntary sector through investments in community-based initiatives.

Government funding is subject to Memoranda of Understanding that define how the funds must be invested and distributed.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

(a) Revenue recognition:

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Investment income is recorded on the accrual basis.

(b) Financial instruments:

Short-term investments, being treasury bills, bankers' acceptances and bonds, are classified as held-for-trading investments. Short-term investments are carried at fair value as determined at the fiscal year end based on market values for the debt securities.

Transaction costs that are directly attributable to the acquisition of investments are not considered significant and are expensed when paid.

Investment purchase and sale transactions are accounted for on the settlement date.

Cash consists of cash on hand and in banks.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

Accounts payable and accrued liabilities and grants payable are classified as other financial liabilities and measured at amortized cost.

In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within The Canadian Institute of Chartered Accountants' Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, the Foundation has elected not to adopt these standards in its financial statements.

(c) Grants:

Grants are recorded as expenses in the year that the Foundation approves the grant.

(d) Allocation of support services expenses:

The Foundation classifies expenses on the statement of operations by function. The Foundation allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Foundation allocates its support services expenses proportionately on a per capita basis.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	Over term of lease

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. Investments:

Investments, at fair value, are as follows:

	2012	2011
Short-term investments	$ 55,181,115	$ 94,946,600
Bonds	19,518,889	29,902,378
Laddered bond portfolio	73,856,910	–
	$ 148,556,914	$ 124,848,978

Short-term investments include treasury bills, bearer deposit notes and bankers' acceptances. All investments, excluding the laddered bond portfolio, are in fixed income securities and mature within the next seven months (2011 - five months). These investments bear interest from 0.90% to 1.35% (2011 - 0.90% to 1.20%).

On April 1, 2011, OTF created a laddered bond portfolio. All bond investments are in fixed income securities and have maturity dates between six months and three years. These investments bear interest from 3.25% to 6.00%.

The Ontario Financing Authority acts as OTF's investment manager under an investment management agreement that adheres to OTF's policies and procedures governing risk and also includes additional risk concern measures.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

2. Investments (continued):

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, credit and market risks. OTF has formal policies and procedures in place to address these risks.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities and the laddered bond portfolio held by OTF. The Foundation manages this risk by holding debt issued by the Government of Canada, Province of Quebec, Province of Ontario and large Canadian banks, and by staggering the terms of the securities held.

Credit risk arises from the non-performance by counterparties to the investments. This risk is minimized by dealing only with creditworthy counterparties.

Market risk arises as a result of trading fixed income securities. Fluctuations in the market expose OTF to a risk of loss. The Foundation mitigates this risk through controls to monitor and limit concentration levels.

Liquidity risk is the risk that OTF will encounter difficulty in raising funds to meet commitments associated with financial instruments. The risk arises from an inability to sell a financial asset quickly at close to its fair value. The risk is minimized by holding high credit quality investments.

3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 985,061	$ 689,495	$ 295,566	$ 53,512
Computer hardware	872,472	633,890	238,582	195,211
Computer software	1,071,710	899,421	172,289	230,399
Leasehold improvements	1,388,729	113,296	1,275,433	124,828
	$ 4,317,972	$ 2,336,102	$ 1,981,870	$ 603,950

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Deferred contributions and grants payable:

(a) Deferred contributions represent funding received from the Ministry that has not yet been pledged as grants or spent on operations. These funds are restricted until grants are approved by the Board of Directors and pledged to third parties or until operating expenditures are made. OTF has controls in place to ensure that the restrictions on grant pledges are met prior to utilization of these funds.

			2012	2011
	General operations	Community Capital Fund	Total	Total
Deferred contributions, beginning of year	$ 5,668,575	$ 244,528	$ 5,913,103	$ 4,096,629
Funding received:				
Ministry of Tourism, Culture and Sport:				
Annual core allocation	120,000,000	–	120,000,000	120,000,000
Special projects	–	40,255,600	40,255,600	4,175,000
Ministry of Citizenship and Immigration	–	–	–	100,000
	120,000,000	40,255,600	160,255,600	124,275,000
Investment income recorded as revenue	3,189,948	–	3,189,948	1,355,443
Grants pledged	(110,929,700)	(40,138,700)	(151,068,400)	(111,808,400)
Grantmaking expenses	(11,092,701)	(646,833)	(11,739,534)	(11,241,316)
Support services and amortization	(1,690,991)	–	(1,690,991)	(1,615,490)
Services to the community	(425,466)	–	(425,466)	(642,972)
Grants rescinded or recovered	1,970,447	788,400	2,758,847	1,494,209
Amounts recognized as Ontario government funding	(118,978,463)	(39,997,133)	(158,975,596)	(122,458,526)
Change during the year	1,021,537	258,467	1,280,004	1,816,474
Deferred contributions, end of year	$ 6,690,112	$ 502,995	$ 7,193,107	$ 5,913,103

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

4. Deferred contributions and grants payable (continued):

(b) Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of grants payable is as follows:

	2012	2011
Grants pledged	$ 151,068,400	$ 111,808,400
Grants rescinded	(2,172,506)	(880,693)
Grants paid	(125,859,300)	(104,863,307)
	23,036,594	6,064,400
Grants payable, beginning of year	117,347,306	111,282,906
Grants payable, end of year	$ 140,383,900	$ 117,347,306

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

2013	$ 100,092,600
2014	29,350,300
2015	9,579,600
2016	1,208,400
2017	153,000
	$ 140,383,900

5. Allocation of expenses:

The Foundation allocates certain of its support services expenses based on the proportion of the total staff directly involved with grantmaking and services to the community. The following percentages were used to calculate the allocation: grantmaking, 71% (2011 - 71%) and services to the community, 3% (2011 - 4%).

Support services reported in the statement of operations of $1,192,449 (2011 - $1,127,825) are reported after allocation of $3,322,425 (2011 - $3,121,993) to grantmaking expenses and $147,476 (2011 - $153,969) to services to the community.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

6. Services to the community:

Services to the community are charitable activities other than grants, such as convening, knowledge sharing and technical assistance to community organizations.

7. Commitments:

Future minimum annual rental payments for premises under operating leases are as follows:

2013	$ 1,177,000
2014	1,161,000
2015	1,162,000
2016	1,111,000
2017	1,170,000
Thereafter	5,838,000
	$ 11,619,000

In relation to these leases, OTF has agreed to indemnify the landlord against losses occurring on the lease premises which may arise out of a breach of the lease agreement.

8. Indemnification of officers and directors:

OTF has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are used as a result of their service, if they acted honestly and in good faith with a view to the best interests of OTF. The nature of the indemnity prevents OTF from reasonably estimating the maximum exposure. OTF has purchased directors' and officers' liability insurance with respect to this indemnification.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

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9. Financial instruments:

The carrying values of cash, accounts payable and accrued liabilities and grants payable approximate their fair values due to the relatively short periods to maturity of these financial instruments or because they are receivable or payable on demand. The fair value of investments and related risks are disclosed in note 2.

10. Community Capital Fund:

On August 27, 2010, the Foundation signed an agreement with the Ministry to administer the Community Capital Fund to provide grants for specific infrastructure projects that support Ontario government priorities and help to revitalize community-based infrastructure by directing funding towards capital assets.

The total funding to be received from the Ministry is $50,000,000 and the project completion date noted in the agreement is March 31, 2013.

During 2012, $40,255,600 was received from the Ministry, of which $40,138,700 is included in grants pledged.

ORNGE

ORNGE Financial Statements for the year ended March 31, 2012 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/en/ .

OTTAWA CONVENTION CENTRE
CENTRE DES CONGRÈS D'OTTAWA

[illegible]

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Management's Responsibility for Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by BDO Canada LLP. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Patrick Kelly
President & CEO

Dan Young, CMA
Vice-President, Finance & Administration

August 10, 2012

BDO

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Ottawa ON K1G 5L1 Canada

Independent Auditor's Report

To the Members of
Ottawa Convention Centre Corporation

We have audited the accompanying financial statements of Ottawa Convention Centre Corporation, which comprise the balance sheet as at March 31, 2012, and the statement of revenues and expenses, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ottawa Convention Centre Corporation as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Ottawa, Ontario
July 18, 2012

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Balance Sheet

March 31,	2012	2011
Assets		
Current		
Cash	$ 3,324,256	$ 2,835,736
Accounts receivable	1,297,568	1,367,209
Prepaid expenses	87,438	18,074
	4,709,262	4,221,019
Property, plant and equipment (Note 1)	175,936,970	160,327,805
Deferred charges	-	1,205,049
	$180,646,232	$ 165,753,873
Liabilities and Net Assets		
Current		
Loans payable	$ -	$ 6,000,000
Accounts payable and accrued liabilities	3,273,919	6,503,386
Deferred revenue and deposits	1,601,837	1,042,098
Current portion of long-term debt (note 4)	122,331	-
	4,998,087	13,545,484
Construction holdback payable	251,500	14,216,973
Deferred revenue and deposits	266,473	140,000
Long-term debt (note 4)	42,237,824	-
Deferred contributions related to property, plant and equipment	119,817,402	120,137,970
Deferred contributions related to deferred charges	-	512,032
	167,571,286	148,552,459
Commitments and contingent liability (notes 5 and 6)		
Net assets	13,074,946	17,201,414
	$180,646,232	$ 165,753,873

APPROVED BY THE BOARD:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Statement of Revenues and Expenses

For the year ended March 31,	2012	2011
Revenue		
Food and beverage	$ 10,163,145	$ -
Space rental	3,272,212	-
Commissions	1,461,726	5,000
Advertising	181,835	-
Other	70,683	6,878
Interest earned	31,232	53,706
	15,180,833	65,584
Expenses		
Direct (Schedule 1)	7,201,441	-
Facilities (Schedule 2)	4,829,587	75,295
Selling, general and administrative (Schedule 3)	3,079,552	4,004,258
	15,110,580	4,079,553
Operating excess of expenses over revenue before undernoted items	70,253	(4,013,969)
Interest on long-term debt	(1,210,577)	-
Interest on loans payable	(254,713)	(143,995)
Amortization of deferred contributions related to property, plant and equipment	3,283,164	-
Amortization of deferred contributions related to deferred charges	549,435	-
Amortization of property, plant and equipment	(5,258,078)	(61,502)
Amortization of deferred charges related to redevelopment	(1,305,952)	-
Loss on disposal of property, plant and equipment	-	(127,131)
Excess of expenses over revenue	$ (4,126,468)	$ (4,346,597)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Statement of Changes in Net Assets

For the year ended March 31,	2012	2011
Balance, April 1	$ 17,201,414	$ 21,548,011
Excess of expenses over revenue	(4,126,468)	(4,346,597)
Balance, March 31	$ 13,074,946	$ 17,201,414

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Statement of Cash Flows

For the year ended March 31,	2012	2011
Net inflow (outflow) of cash related to the following activities		
Operating Activities		
Excess of expenses over revenue	$ (4,126,468)	$ (4,346,597)
Add back non-cash outlays:		
Amortization of property, plant and equipment	5,258,078	61,502
Amortization of deferred charges related to redevelopment	1,305,952	-
Loss on disposal of property, plant and equipment	-	127,131
Amortization of deferred contributions related to property, plant and equipment	(3,283,164)	-
Amortization of deferred contributions related to deferred charges	(549,435)	-
	(1,395,037)	(4,157,964)
Net change in non-cash working capital balances (note 2)	(2,542,978)	(3,624,061)
	(3,938,015)	(7,782,025)
Investing Activities		
Purchase of property, plant and equipment	(20,867,243)	(47,043,880)
Increase (decrease) in construction holdback payable	(13,965,473)	4,201,590
Redevelopment and deferred costs	(100,903)	(161,928)
	(34,933,619)	(43,004,218)
Financing Activities		
Increase in (repayment of) loans payable	(6,000,000)	6,000,000
Increase in long-term debt	42,486,236	-
Repayment of long-term debt	(126,081)	-
Contributions related to property, plant and equipment	2,962,596	32,543,293
Contributions related to deferred charges	37,403	118,444
	39,360,154	38,661,737
Net cash inflow (outflow)	488,520	(12,124,506)
Cash, April 1	2,835,736	14,960,242
Cash, March 31	$ 3,324,256	$ 2,835,736
Supplemental Cash Flow Information		
Interest paid	$ 1,352,048	$ 143,995

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Summary of Significant Accounting Policies

March 31, 2012

Description of Business

The Ottawa Convention Centre Corporation was incorporated by a special Act of the Ontario Provincial Legislature. The mandate of the Centre is to operate, maintain, and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario. The Centre was closed from September 2008 to April 2011 as it underwent a redevelopment plan. The Centre is exempt from income taxes.

Revenue Recognition

The Centre follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from food, beverage, space rental and other is recognized when the related goods or services are provided to the customer. Advertising revenue is recognized in the year in which the advertising is provided to the client. Commission revenue is recognized in the year which the related event is held.

Contributed Materials and Services

The Centre receives contributed materials and services. Since these materials and services are either not normally purchased by the Centre or the fair value of the materials or services can not be reasonably estimated, contributed services and materials are not recognized in these financial statements.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of these financial statements include the useful lives of property, plant and equipment and commission revenues earned. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Summary of Significant Accounting Policies

March 31, 2012

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is recorded using the following annual rates and methods, except in the year of acquisition when a pro-rated share of the year's amortization is recorded based on the fiscal quarter in which the asset is acquired:

Building	40 years straight-line
Software	5 years straight-line
Furniture, equipment and fixtures	10 years straight-line
Technology network	15 years straight-line

Deferred Charges

Deferred charges represent pre-operating costs pertaining to the redevelopment initiative with future benefit, but not part of the construction of the new convention facility. These charges were fully amortized during the 2012 fiscal year upon the opening of the new facility and conclusion of the pre-operating period.

Deferred Contributions Related to Property, Plant and Equipment and Deferred Charges

Deferred contributions represent the unamortized amounts which are recognized as revenue on the same basis as the amortization of property, plant and equipment. Deferred contributions related to deferred charges were recognized upon the amortization of those charges.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Centre's designation of such instruments. Settlement date accounting is used.

The Centre has classified its financial instruments as follows:

Asset/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Construction holdback payable	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

The carrying amount of these financial assets and financial liabilities approximates their fair values unless otherwise disclosed.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Summary of Significant Accounting Policies

March 31, 2012

Impairment of Long-Lived Assets

Long-lived assets including property, plant and equipment, and deferred charges are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized of the amount by which the carrying amount of the asset exceeds its fair value.

New Accounting Standards

In December 2010, the Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

Government (public sector) NPOs have a choice of:

1. Public Sector Accounting Standards with the current series of NPO-specific standards added with some minor changes; or

2. Public Sector Accounting Standards.

PSAB requires NPOs to adopt their standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting Part V - Pre-Changeover Standards. The Centre has determined they should follow Public Sector Accounting Standards with the government not-for-profit organization specific standards (PS 4200 - PS 4270).

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Notes to Financial Statements

March 31, 2012

1. Property, Plant and Equipment

	2012			2011
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Building	$ 169,833,716	$ 4,245,843	$ 165,587,873	$ -
Software	274,577	134,592	139,985	122,327
Furniture, equipment and fixtures	7,984,385	840,321	7,144,064	6,535,465
Technology network	2,476,912	165,127	2,311,785	-
Land	753,263	-	753,263	753,263
Construction-in-progress (not amortized)	-	-	-	152,916,750
	$ 181,322,853	$ 5,385,883	$ 175,936,970	$ 160,327,805

2. Net Change in Non-Cash Working Capital Balances

The net change in non-cash working capital balances consists of the following changes in current assets and liabilities:

	2012	2011
Accounts receivable	$ 69,641	$ (1,219,542)
Prepaid expenses	(69,364)	11,212
Accounts payable and accrued liabilities	(3,229,467)	(3,358,533)
Deferred revenue and deposits - current	559,739	1,042,098
Deferred revenue and deposits - long-term	126,473	(99,296)
	$ (2,542,978)	$ (3,624,061)

3. Financial Instruments and Risk Management

Credit Risk

Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the Centre. The Centre's booking policies are designed to minimize the amounts due from customers upon the conclusion of their event and thereby reduce their credit risk exposure. Further, the Centre performs regular reviews of the credit worthiness of its customers and has collection policies that it feels are adequate to minimize losses in this area. The Centre does not consider its accounts receivable as presenting any significant credit risk.

3. Financial Instruments and Risk Management (cont'd)

Liquidity Risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its long-term debt. During fiscal 2012 the Centre was in compliance with loan covenants and was able to discharge its liabilities, and the Centre expects to continue to do so during fiscal 2013. However, in the longer range the Centre continues to forecast operating losses after interest expense and as such is forecasting that it will be unable to meet the debt service requirements in fiscal 2014 and beyond. The Company's ability to discharge its liabilities in fiscal 2014 and beyond depends upon management successfully renegotiating its long-term debt.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Centre has $40,000,000 in debt bearing interest at the Province of Ontario's cost of funds plus 0.525% annually. Management does not consider the Centre to be exposed to significant interest rate risk.

Financing Available

The Centre has an unused line of credit of $5,000,000. Interest is charged at prime.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Notes to Financial Statements

March 31, 2012

4. Long-term Debt

	2012	2011
Loan payable from the Ontario Financing Authority, interest charged at the province's cost of funds plus 0.525%, compounded annually. Interest-only payment due September 2012, with interest plus principal payments of $2,807,047 due in September annually from 2013 through 2036.	$ 40,000,000	$ -
Debt related to acquisition of technology services network. Interest imputed at the Centre's borrowing rate of 4.7%. Blended monthly payments of $19,167 due beginning April 2011 through March 2026.	2,360,155	-
	42,360,155	-
Less current portion	122,331	-
	$ 42,237,824	$ -

Long-term debt matures over the next five years as follows:

Fiscal year ended:	
March 31, 2013	$ 122,331
March 31, 2014	$ 1,066,417
March 31, 2015	$ 1,116,370
March 31, 2016	$ 1,168,663
March 31, 2017	$ 1,223,406

5. Commitments

The Centre has entered into facility services and technology services agreements related to the operation of the new facility, both elapsing in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of $200,000 in the first year with annual escalations of $10,000 thereafter. Under the technology services agreement, the Centre will make annual payments of $276,000 attributable to the ongoing service agreement. All figures are excluding applicable taxes.

6. Contingent Liability

The Centre has an outstanding standby letter of credit of $44,500 (2011 - $444,500) at March 31, 2012. The letter is with regard to works and services pursuant to a road modification agreement with the City of Ottawa.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Notes to Financial Statements

March 31, 2012

7. Capital Management

The Centre's objective when managing capital is to maintain its ability to continue as a going concern in order to execute its mandate to operate a world class convention facility. The Centre's capital structure is comprised of its net assets and deferred contributions related to property, plant and equipment. The Centre's objective in management of its capital structure is to ensure access to sufficient cash flow to carry out its ongoing operations and service the debt obligations to the Ontario Financing Authority.

8. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the 2012 financial statement presentation.

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Schedule 1 - Direct Expenses

For the year ended March 31,	2012	2011
Food and beverage	$ 7,275,510	$ -
Labour (recovery)	(74,069)	-
	$ 7,201,441	$ -

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Schedule 2 - Facilities Expenses

For the year ended March 31,	2012	2011
Labour	$ 2,557,917	$ -
Utilities	930,997	-
Facility maintenance	494,421	7,668
Network management	296,000	-
Facility management fees	200,000	-
Maintenance supplies	151,211	-
Equipment rentals	102,215	-
Workers' compensation	39,254	67,627
Uniforms	33,875	-
Laundry	23,697	-
	$ 4,829,587	$ 75,295

Ottawa Convention Centre Corporation
Société du Centre des Congrès d'Ottawa
Schedule 3 - Selling, General and Administrative Expenses

For the year ended March 31,	2012	2011
Salaries, benefits, and subcontractors	$ 1,586,161	$ 2,323,935
Advertising and promotion	782,245	712,574
Insurance	211,889	40,715
Telephone	106,705	50,561
Office expenses	103,428	184,880
Professional fees	81,100	113,895
Bank charges	73,016	16,184
Bad debts	58,778	-
Directors' fees	58,070	64,177
Associations and memberships	38,087	37,271
Consulting fees	23,558	20,381
Travel	10,579	15,606
Postage and delivery	6,761	7,780
Opening Ceremony	1,033	-
Moving and lease costs (recovery)	(61,858)	416,299
	$ 3,079,552	$ 4,004,258

ROM Royal Ontario Museum

100 Queen's Park
Toronto, Ontario
Canada M5S 2C6

416.586.8000
www.rom.on.ca

ROYAL ONTARIO MUSEUM

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Royal Ontario Museum for the year ending March 31, 2012 are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Royal Ontario Museum are described in the Summary of Significant Accounting Policies contained in Note 1 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to June 7, 2012.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Trustees. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

On behalf of Royal Ontario Museum management,

W.T. Graesser,
Vice-President & Chief Financial Officer

Glenn Dobbin,
Deputy Director & Chief Operating Officer

KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
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INDEPENDENT AUDITORS' REPORT

To the Trustees of The Royal Ontario Museum

We have audited the accompanying financial statements of The Royal Ontario Museum, which comprise the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the statements of operations, changes in net deficit and cash flows for the years ended March 31, 2012 and March 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Royal Ontario Museum as at March 31, 2012, March 31, 2011 and April 1, 2010, and its results of operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 7, 2012
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

THE ROYAL ONTARIO MUSEUM

(Incorporated by Special Act of the Ontario Legislature as a corporation without share capital)

Statements of Financial Position
(In thousands of dollars)

March 31, 2012, March 31, 2011 and April 1, 2010

	2012	2011	2010
Assets			
Current assets:			
Due from The Royal Ontario Museum Foundation (note 9)	$ 759	$ 493	$ 1,870
Other accounts receivable	1,050	1,543	1,170
Deferred exhibition costs and other assets	1,871	1,651	1,099
Investments (note 2)	335	323	341
	4,015	4,010	4,480
Deferred pension costs (note 10)	5,714	4,051	218
Capital assets (note 3)	250,567	258,951	265,540
	$ 260,296	$ 267,012	$ 270,238
Liabilities and Net Deficit			
Current liabilities:			
Bank indebtedness (note 11(a))	$ 3,979	$ 4,178	$ 3,904
Accounts payable and accrued liabilities	7,503	8,167	6,340
Current portion of long-term debt (note 11(b))	4,414	7,283	13,000
Deferred contributions (note 5)	2,546	4,462	3,325
Deferred revenue	2,997	2,694	2,520
	21,439	26,784	29,089
Long-term debt (note 11(b))	35,486	34,917	35,840
Deferred capital contributions (note 6)	207,656	211,020	213,063
Accrued non-pension liability (note 10)	7,560	6,950	6,436
	272,141	279,671	284,428
Net deficit:			
Operating deficit	(13,198)	(13,967)	(15,388)
Board-restricted	1,353	1,308	1,198
	(11,845)	(12,659)	(14,190)
Commitments (note 14)			
	$ 260,296	$ 267,012	$ 270,238

See accompanying notes to financial statements.

On behalf of the Board:

Trustee

Trustee

THE ROYAL ONTARIO MUSEUM

Statements of Operations
(In thousands of dollars)

Years ended March 31, 2012 and 2011

				2012	2011
	Operating Fund	Restricted Fund	Capital Fund	Total	Total
Revenue:					
Grants (note 7)	$ 30,899	$ 3,348	$ –	$ 34,247	$ 34,547
Admission fees	7,731	–	–	7,731	9,865
Museum programs	2,565	–	–	2,565	2,385
Ancillary services	9,103	–	–	9,103	10,637
Investment income	–	1	–	1	1
Donations - gifts-in-kind	–	1,865	–	1,865	7,305
Amortization of deferred capital contributions	–	–	11,419	11,419	11,253
Other	804	538	–	1,342	1,746
	51,102	5,752	11,419	68,273	77,739
Expenses:					
Curatorial and collections management	10,145	1,210	–	11,355	12,426
Building, security and visitor services	11,462	593	–	12,055	12,607
Ancillary services	5,677	–	–	5,677	6,853
General and administration	3,605	–	–	3,605	3,438
Education and public programs	2,463	486	–	2,949	3,562
Library and information services	2,823	–	–	2,823	2,724
Exhibition and gallery development	3,516	–	–	3,516	3,259
Marketing and public relations	4,312	–	–	4,312	4,677
Temporary exhibitions	3,695	–	–	3,695	3,369
Artifacts and specimens:					
Gifts-in-kind	–	1,865	–	1,865	7,305
Purchased	–	1,541	–	1,541	1,962
Interest	1,899	–	–	1,899	2,166
Amortization of capital assets	736	6	11,419	12,161	11,854
Other	–	6	–	6	6
	50,333	5,707	11,419	67,459	76,208
Excess of revenue over expenses	$ 769	$ 45	$ –	$ 814	$ 1,531

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Statements of Changes in Net Deficit
(In thousands of dollars)

Years ended March 31, 2012 and 2011

2012	Operating deficit	Board-restricted	Total
Balance, beginning of year	$ (13,967)	$ 1,308	$ (12,659)
Excess of revenue over expenses	814	–	814
Interfund transfers	(45)	45	–
Balance, end of year	$ (13,198)	$ 1,353	$ (11,845)

2011	Operating deficit	Board-restricted	Total
Balance, beginning of year	$ (15,388)	$ 1,198	$ (14,190)
Excess of revenue over expenses	1,531	–	1,531
Interfund transfers	(110)	110	–
Balance, end of year	$ (13,967)	$ 1,308	$ (12,659)

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Statements of Cash Flows
(In thousands of dollars)

Years ended March 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 814	$ 1,531
Items not involving cash:		
Amortization of capital assets	12,161	11,854
Amortization of deferred capital contributions	(11,419)	(11,253)
Change in non-cash operating working capital:		
Due from The Royal Ontario Museum Foundation	(266)	1,377
Other accounts receivable	493	(373)
Deferred exhibition costs and other assets	(220)	(552)
Accounts payable and accrued liabilities	(664)	1,827
Deferred contributions	(1,916)	1,137
Deferred revenue	303	174
Change in deferred pension costs	(1,663)	(3,833)
Change in accrued non-pension liability	610	514
	(1,767)	2,403
Capital activities:		
Contributions received for capital asset purchases	8,055	9,210
Purchase of capital assets	(3,777)	(5,265)
	4,278	3,945
Financing activities:		
Repayments of long-term debt	(2,300)	(6,640)
Change in bank indebtedness	(199)	274
	(2,499)	(6,366)
Investing activities:		
Change in investments	(12)	18
Increase in cash, being cash, end of year	$ –	$ –

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements
(In thousands of dollars)

Years ended March 31, 2012 and 2011

The Royal Ontario Museum (the "Museum") is an operating enterprise agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. The Museum is Canada's largest museum and one of the few of its kind to explore and exhibit both the art and archaeology of human cultures and the history of the natural world. The Museum's mission is to inspire wonder and build understanding of human cultures and the natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

On April 1, 2011, the Museum adopted Section 4200, Accounting Standards for Government Not-for-Profit Organizations, included in the Canadian public sector accounting standards established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants. These are the first financial statements prepared in accordance with Canadian public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Museum has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2010 and all comparative information provided has been presented by applying Canadian public sector accounting standards.

A summary of transitional adjustments recorded to net deficit is provided in note 15. There were no transitional adjustments recorded to excess of revenue over expenses.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

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1. **Significant accounting policies:**

The financial statements have been prepared in accordance with Canadian public sector accounting standards. The significant policies are as follows:

(a) Fund accounting:

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Operating Fund:

The Operating Fund accounts for the Museum's general programs, fundraising and administrative activities. The Operating Fund reports resources available for immediate purposes.

(ii) Restricted Fund:

The Restricted Fund consists of those funds where resources are to be used for an identified purpose as specified by the donors and funders.

(iii) Capital Fund:

The Capital Fund reports the revenue and expenses related to the Museum's building, building improvements, galleries and the Renaissance ROM Project ("ROM Project").

(b) Revenue recognition:

The Museum follows the deferral method of accounting for contributions, which include donations and government grants. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the period in which the related expenses are recognized. Externally restricted contributions for the purchase of land are credited directly to net assets. Externally restricted contributions for the purchase of other capital assets are deferred and amortized over the life of the related capital asset.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

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1. **Significant accounting policies (continued):**

Membership fees are deferred and recognized as revenue over the term covered by the fees.

Admission fees, museum programs and ancillary services revenue are recorded as revenue when the services have been provided or the goods delivered.

(c) Financial instruments other than investments:

Bank indebtedness is measured at fair value. Other accounts receivable and due from The Royal Ontario Museum Foundation (the "Foundation") are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are measured at amortized cost.

(d) Investments:

Investments are measured at fair value. The change in the fair value, when material, is recognized in the statements of remeasurement gains and losses as a remeasurement gain or loss until the investments are derecognized. Upon derecognition, the accumulated remeasurement gains or losses associated with the derecognized investments are reversed and reclassified to the statements of operations.

Fair values of investments are determined as follows:

Fixed income securities, pooled funds and equities that are quoted in an active market are recorded at fair value and the associated transaction costs are expensed upon initial recognition. Investments not quoted in an active market are reported at cost or amortized cost.

Investment purchase and sale transactions are accounted for on the settlement date.

(e) Derivative financial instruments:

Derivative financial instruments are contracts that provide the opportunity to exchange cash flows that are determined by applying certain rates, indices or changes to notional contract amounts. From time to time, the Museum uses interest rate swaps to manage exposure to fluctuations in interest rates and forward foreign currency contracts to manage exposure to fluctuations in exchange rates. These instruments are used for hedging an on-balance sheet liability or a future contractual obligation.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

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1. **Significant accounting policies (continued):**

Derivative financial instruments are carried at fair value. As at March 31, 2012, there are no derivative instruments held by the Museum.

(f) Deferred exhibition costs:

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the period of the exhibitions to which they relate.

(g) Employee benefit plans:

The Museum accrues its obligations under employee benefit plans and related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at a market-related value, whereby investment gains and losses are recognized over a three-year period. Employee future benefit liabilities are discounted using current interest rates on long-term bonds.

The cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service period of active employees covered under the plan.

Compensated absences, such as parental leaves, accumulated sick days, and sabbaticals that provide compensated, unrestricted time off for past service, are accrued for as they vest or accumulate in the period in which employees render services to the Museum.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

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1. **Significant accounting policies (continued):**

(h) Capital assets:

Land is carried at cost. Purchased capital assets are stated at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Building improvements	5 - 10 years
Furniture and equipment	3 - 10 years

Construction in progress comprises direct construction and other costs associated with the ROM Project, including capitalized interest. Interest costs are capitalized during the construction period. No amortization is recorded until construction is substantially complete and the assets are ready for use.

(i) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at year end. Revenue and expenses are translated at exchange rates in effect on the date of the transaction.

(j) Artifacts and specimens:

The value of artifacts and specimens has been excluded from the statements of financial position. Gifted artifacts and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased artifacts and specimens is expensed.

(k) Contributed materials and services:

Because of the difficulty in determining their fair market value, contributed materials and services are not recognized in the financial statements.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

1. Significant accounting policies (continued):

(l) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Actual amounts could differ from those estimates.

(m) Current accounting pronouncements:

Financial instruments:

In March 2011, the PSAB issued Section 3450, Financial Instruments. The standard is applicable for fiscal years beginning on or after April 1, 2012. Early adoption is permitted. As at April 1, 2010, the Museum early adopted this standard. The adoption of this standard resulted in no change to the financial statements. See note 2.

2. Investments:

	2012		2011		2010	
	Fair value	Cost	Fair value	Cost	Fair value	Cost
Fixed income	$ 335	$ 329	$ 323	$ 322	$ 341	$ 339

Unrealized gains and losses on investments are not material on an annual basis, therefore, a statement of remeasurement gains (losses) has not been included in these financial statements.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

2. Investments (continued):

The fixed income securities bear a yield to maturity at 0.98% (2011 - 1.00%; 2010 - 0.25%) with a maturity date of April 5, 2012 (March 31, 2011 - May 2011; April 1, 2010 - June 2010).

Investment risk management:

Risk management relates to understanding and active management of risk associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate risk and market risk.

(a) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Museum. The Museum manages this risk by holding primarily debt issued by the financial institutions.

(b) Market risk:

Market risk arises as a result of trading in equity securities, pooled funds and fixed income securities. Fluctuations in the market expose the Museum to a risk of loss. The Museum mitigates this risk through controls to monitor and limit concentration levels.

3. Capital assets:

2012	Cost	Accumulated amortization	Net book value
Land	$ 931	$ –	$ 931
Building	41,476	31,856	9,620
Galleries	17,540	15,524	2,016
Building improvements	24,109	16,394	7,715
ROM Project:			
Building	205,064	26,842	178,222
Galleries	63,223	13,700	49,523
Furniture and equipment	5,254	2,714	2,540
	$ 357,597	$ 107,030	$ 250,567

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

3. **Capital assets (continued):**

2011	Cost	Accumulated amortization	Net book value
Land	$ 931	$ –	$ 931
Building	41,476	30,815	10,661
Galleries	17,540	15,072	2,468
Building improvements	22,232	15,121	7,111
ROM Project:			
Building	205,064	21,292	183,772
Galleries	61,782	10,559	51,223
Furniture and equipment	5,679	2,894	2,785
	$ 354,704	$ 95,753	$ 258,951

2010	Cost	Accumulated amortization	Net book value
Land	$ 931	$ –	$ 931
Building	41,476	29,776	11,700
Galleries	17,630	14,417	3,213
Building improvements	21,303	14,033	7,270
ROM Project:			
Building	204,754	15,742	189,012
Galleries	58,184	7,604	50,580
Furniture and equipment	6,094	3,260	2,834
	$ 350,372	$ 84,832	$ 265,540

As at March 31, 2012, the total cost of assets included assets which are under construction. These assets are not in use and to date have not been amortized. The cost of these assets is $102 (2011 - $3,631; 2010 - $174).

4. **Artifacts and specimens:**

As at March 31, 2012, the collection consisted of approximately 6,000,000 artifacts and specimens. During the year ended March 31, 2012, the Museum accessioned approximately 24,450 (2011 - 150; 2010 - 132) objects to its collections through the donation and purchase of artifacts.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

5. Deferred contributions:

Deferred contributions represent grants from federal and provincial governments, corporations and the Foundation (note 9) related primarily to this year's operations. Grants which carry restrictions are deferred until spent on the intended purpose.

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets and gallery development. The amortization of deferred capital contributions is recorded as revenue in the statements of operations. The changes in the deferred capital contributions balance are as follows:

	2012	2011	2010
Balance, beginning of year	$ 211,020	$ 213,063	$ 217,475
Amortization of deferred capital contributions	(11,419)	(11,253)	(11,180)
Contributions received for capital asset purchases (notes 3 and 9)	8,055	9,210	6,768
Balance, end of year	$ 207,656	$ 211,020	$ 213,063

7. Grants:

	2012	2011
Province of Ontario:		
Operating	$ 28,631	$ 28,273
Other	32	28
Government of Canada	436	416
Foundation (note 9)	5,148	5,830
	$ 34,247	$ 34,547

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

8. Expenses:

Expenses are reported in the statements of operations and changes in net deficit on a functional basis. Expenses by category are as follows:

	2012	2011
Salaries and benefits (note 10)	$ 31,042	$ 31,306
Purchased goods and services	22,591	25,743
Amortization of capital assets	12,161	11,854
Gifts-in-kind	1,865	7,305
	$ 67,659	$ 76,208

9. The Royal Ontario Museum Foundation:

The Foundation was incorporated on July 1, 1992 to coordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements. The fund balances of the Foundation as at its most recent fiscal year end are as follows:

	June 30, 2011	June 30, 2010	June 30, 2009
Unrestricted funds	$ (3,154)	$ (4,418)	$ (2,349)
Restricted funds available currently	8,945	8,012	3,453
Endowment funds:			
Externally restricted	21,813	18,312	15,518
Internally restricted	11,487	10,926	10,557
	$ 39,091	$ 32,832	$ 27,179

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

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9. The Royal Ontario Museum Foundation (continued):

During the year ended March 31, 2012, the Foundation granted $8,513 (2011 - $13,808) to the Museum. Of this amount, $2,164 (2011 - $3,626) was recorded as deferred contributions (note 5), $4,377 (2011 - $7,066) was recorded as an increase in deferred capital contributions in connection with the ROM Project (note 6), nil (2011 - nil) was recorded as other deferred capital contributions for other assets (note 6) and $1,972 (2011 - $3,116) was recorded as deferred contributions for purposes other than the ROM Project (note 5).

Amounts due to/from the Foundation are non-interest bearing and have no fixed terms of repayment.

10. Employee benefits:

The Museum has a defined benefit registered pension plan and other defined benefit plans that provide pension and other post-employment benefits to most of its employees. Pension benefits are based upon members' length of service and final average earnings. Benefits are indexed to the extent that the annual inflation rate exceeds 4% in any individual year. Post-employment benefits include post-retirement health care and dental benefits. Details of these plans are summarized below.

The expense for the Museum's benefit plans is as follows:

	2012	2011
Defined benefit plan	$ 1,581	$ 885
Other post-employment benefits	712	635
	$ 2,293	$ 1,520

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

10. Employee benefits (continued):

The assets and liabilities of the plans are measured at the statements of financial position dates. The statements of financial position identify separately the amounts recognized in respect of the pension and non-pension plans. Information about the Museum's pension and non-pension plans is as follows:

	Pension			Non-pension		
	March 31, 2012	March 31, 2011	April 1, 2010	March 31, 2012	March 31, 2011	April 1, 2010
Accrued liabilities	$ 73,629	$ 70,518	$ 63,381	$ 6,851	$ 7,159	$ 6,436
Market value of plan assets	77,277	72,162	63,599	–	–	–
Funded status - plan surplus (deficit)	3,648	1,644	218	(6,851)	(7,159)	(6,436)
Unrecognized net actuarial gain	2,066	2,407	–	(709)	209	–
Financial position asset (liability)	$ 5,714	$ 4,051	$ 218	$ (7,560)	$ (6,950)	$ (6,436)

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

10. Employee benefits (continued):

Included in the statements of financial position asset related to the defined benefit pension plan is a liability of $1,219 (2011 - $1,086; 2010 - $1,092) in connection with supplementary pension arrangements.

The significant actuarial assumptions adopted to determine the expense for the Museum's benefit plans are as follows:

	Pension		Non-pension	
	2012	2011	2012	2011
Discount rate	6.47%	6.97%	4.75%	5.00%
Expected long-term rate of return on plan assets	6.50%	7.00%	–	–
Rate of compensation increase	2.00%	3.00%	–	–

The significant actuarial assumptions adopted in measuring the accrued benefit assets and liabilities of the Museum's benefit plans are as follows:

	Pension			Non-pension		
	March 31, 2012	March 31, 2011	April 1, 2010	March 31, 2012	March 31, 2011	April 1, 2010
Discount rate	6.45%	6.47%	6.98%	3.75%	4.75%	5.00%
Rate of compensation increase	2.00%	2.00%	3.00%	–	–	–

For measurement purposes as at March 31, 2012, an initial weighted average increase in the cost of health care and dental benefits of 5.90% in 2012 was assumed decreasing to a 4.50% annual rate of increase after 2029.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

10. Employee benefits (continued):

The Museum's pension plan assets are invested in pooled funds that provide the following asset mix:

	2012	2011	2010
Cash and cash equivalents	1%	1%	1%
Bonds	44%	44%	48%
Canadian equities	29%	32%	29%
U.S. equities	–	7%	8%
Other foreign equities	26%	16%	14%
	100%	100%	100%

Other information about the Museum's pension and non-pension plans is as follows:

	Pension		Non-pension	
	2012	2011	2012	2011
Employee contributions	$ 809	$ 719	$ –	$ –
Employer contributions	3,244	4,718	102	121
Benefits paid	3,673	3,178	102	121

The Museum's 2011 and 2012 contributions to date were made in accordance with the January 1, 2011 actuarial valuation report for funding purposes. The next actuarial valuation for funding purposes will be as at January 1, 2014, which must be filed by September 30, 2014. The measurement date for the benefit plans was March 31, 2012.

In addition, the Museum contributes to a multi-employer pension plan. The Museum's contributions to the multi-employer pension plan for the year ended March 31, 2012 were $33 (2011 - $50).

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

11. Credit facilities:

(a) The Museum has a credit agreement with the Museum's banker, as follows:

(i) $5,000 demand revolving operating credit facility with interest payable at prime less 10 basis points (2012 - 2.90%; 2011 - 2.90%; 2010 - 2.15%). As at March 31, 2012, the outstanding balance in connection with this facility was $3,979 (2011 - $4,178; 2010 - $3,904).

(ii) $2,000 letter of credit facility. As at March 31, 2012, March 31 2011 and April 1, 2010, the Museum had outstanding letters of credit amounting to $125.

(b) On June 29, 2011, the Museum and the Ontario Financing Authority ("OFA") executed an amended agreement that includes a revised payment schedule through March 31, 2027. Under the terms of the agreement, the loan consists of fixed rate and floating rate portions. There is an option whereby the Museum can elect to convert the fixed rate portion payable to the floating portion. At March 31, 2012, the Museum elected to convert $5,000 from the fixed portion of the facility to the floating portion. The fixed rate portion bears an interest rate of 5.04% with minimum payments as follows:

The minimum payments are due as follows:

2013	$ 4,414
2014	4,999
2015	2,162
2016	1,004
2017	446
Thereafter	2,232

The floating rate portion of $24,643 bears interest at the Province of Ontario's one-year cost of funds plus 150 basis points, reset annually. The floating rate for 2012 - 2013 has been set at 2.68%. Under the terms of the facility, there is no minimum payment requirement providing the facility is fully paid by March 31, 2027.

The credit agreement includes covenants which must be met by the Museum and, if not met, the OFA has the right to demand repayment of the outstanding balance.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

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11. Credit facilities (continued):

The fair value of the fixed rate portion approximates its carrying value due to the fact that interest rate on the credit agreement represents the interest rate that is currently available to the Museum. As at March 31, 2012, the fair value of the fixed rate debt was $15,257.

The fair value of the floating rate portion is comparable to the carrying value as the rate fluctuates with current market rates.

(c) As collateral for the credit facilities, the Foundation has provided an undertaking to transfer all of its unrestricted donations to the Museum under certain circumstances. In addition, the Museum has assigned all payments from the Foundation restricted for the financing of the ROM Project.

12. Financial instruments:

The carrying values of bank indebtedness, due from The Royal Ontario Museum Foundation, other accounts receivable and accounts payable and accrued liabilities approximate fair values due to the immediate or short-term nature of these financial instruments.

The fair value of investments is disclosed in note 2.

The fair value of long-term debt is disclosed in note 11.

The Museum is exposed to foreign currency exchange risk with respect to contractual obligations payable in foreign currency and to interest rate risk with respect to its long-term debt. The Museum is also exposed to interest rate risk relating to its floating rate credit facility. The Museum enters into derivative financial instruments to manage its risk exposure.

The Museum is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments, but it does not expect counterparties to fail to meet their obligations given their high credit rating.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

13. Capital management:

In managing capital, the Museum focuses on liquid resources available for operations. The Museum's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The Museum has available lines of credit that are used when sufficient cash flow is not available from operations to cover operating and capital expenditures (note 11). The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2012, the Museum has met its objective of having sufficient liquid resources to meet its current obligations.

14. Commitments:

The Museum's future commitments under long-term leases for equipment are as follows:

2013	$ 209
2014	209
2015	52

15. Transitional adjustments:

(a) Net deficit:

The following table summarizes the impact of the transition to PSAB on the Museum's net deficit as of April 1, 2010:

Net deficit:	
As previously reported under Canadian generally accepted accounting principles, March 31, 2010	$ 1,194
Transition election to recognize all unamortized gains/losses for the pension	(14,433)
Transition election to recognize all unamortized gains/losses for the non-pension	(2,149)
Restated, April 1, 2010	$ (15,388)

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Years ended March 31, 2012 and 2011

15. Transitional adjustments (continued):

(b) Excess of revenue over expenses:

As a result of the retrospective application of Canadian public sector accounting standards, the Museum recorded the following adjustments to excess of revenue over expenses for the year ended March 31, 2011:

Excess of revenue over expenses:	
As previously reported under Canadian generally accepted accounting principles for year ended March 31, 2011	$ 576
Increase in pension expense	826
Increase in non-pension expense	129
Restated for the year ended March 31, 2011	$ 1,531

In accordance with first-time adoption provisions of Canadian public sector accounting standards, the Museum has elected to use the following exemptions as at the transition date, April 1, 2010.

Employee future benefits:

The Museum has elected to recognize cumulative actuarial gains and losses and past services costs for its employee future benefits plans in opening net deficit at the transition date.

WATERFRONToronto

Management's Responsibility for the Financial Statements

June 27, 2012

The integrity and objectivity of the accompanying financial statements of the Toronto Waterfront Revitalization Corporation ("the Corporation") is the responsibility of management. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants. Significant accounting policies of the Corporation are described in Note 2 to financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements.

Management meets with the external auditors, the Finance, Audit and Risk Management Committee and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, the independent external auditors appointed by the Board of Directors. The accompanying Independent Auditor's Report outlines Management's responsibilities, the auditor's responsibilities, the scope of its examination and its opinion on the Corporation's financial statements.

President and CEO

Chief Financial Officer

BDO

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BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Board of Directors of
Toronto Waterfront Revitalization Corporation

We have audited the accompanying financial statements of Toronto Waterfront Revitalization Corporation, which comprise the statement of financial position as at March 31, 2012 and the statements of financial activities and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Waterfront Revitalization Corporation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matters

The financial statements of Toronto Waterfront Revitalization Corporation for the year ended March 31, 2011, were audited by another auditor who expressed an unmodified opinion on those statements on June 29, 2011.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants
Mississauga, Ontario
June 27, 2012

Toronto Waterfront Revitalization Corporation

Statement of financial position
as at March 31, 2012

	2012	2011
	$	$
Assets		
Current assets		
Cash	**5,185,152**	33,067,712
Short-term investments	**50,180,555**	59,393,870
Contributions recoverable (Note 4)	**2,906,314**	-
HST receivable	**1,850,114**	2,127,453
Deposits, prepaid expenses, rent receivable and other assets (Note 5)	**12,039,548**	10,140,455
	72,161,683	104,729,490
Restricted cash (Note 6)	**7,297,158**	4,770,156
Capital assets (Note 7)	**93,901,012**	108,471,835
Other assets (Note 8)	**328,305**	287,798
	173,688,158	218,259,279
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**35,532,642**	54,133,067
Deferred contributions and grants (Note 11)	**38,636,444**	58,449,736
Other liabilities and settlements (Note 10)	**2,880,550**	1,547,154
	77,049,636	114,129,957
Other liabilities and settlements (Note 10)	**1,577,229**	1,063,094
	78,626,865	115,193,051
Commitments (Note 15)		
Net assets (Note 12)	**95,061,293**	103,066,228
	173,688,158	218,259,279

Approved on behalf of the Board:

Director

Director

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation

Statement of financial activities and net assets

year ended March 31, 2012

	2012	2011
	$	$
Revenue		
Province of Ontario	70,953,653	60,864,133
City of Toronto	35,659,415	4,623,640
Government of Canada	19,925,992	47,724,150
Non-government organizations	5,910,483	3,256,385
	132,449,543	116,468,308
Add (less):		
Contributions for land acquisition	2,003	(23,894)
Decrease in deferred contributions and grants for continuing operations related to future periods	15,211,078	22,155,425
	147,662,624	138,599,839
Expenses (Note 13)		
West Don Lands	52,901,274	34,879,684
Waterfront-wide Initiatives	32,493,988	23,004,697
East Bayfront	28,706,831	62,962,628
Central Waterfront	26,982,394	10,512,712
Port Lands	4,970,039	4,461,656
Land holding expenses	-	2,778,462
	146,054,526	138,599,839
Excess of revenue over expenses before other operating items and discontinued operations	1,608,098	-
Net other operating income (Note 17)	1,441,047	-
Net loss from discontinued operations (Note 18)	(576,336)	-
Excess of revenue over expenses	2,472,809	-
Net assets, beginning of period	103,066,228	103,042,334
Add (less): government contributions for land acquisition	(2,003)	23,894
Less: transfer of land to governments (Note 7)	(10,475,741)	-
Net assets, end of year	95,061,293	103,066,228

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation
Statement of cash flows
year ended March 31, 2012

	2012	2011
	$	$
Operating activities		
Excess of revenue over expenses	**2,472,809**	-
Items that do not involve cash:		
Amortization of capital assets	**1,624,471**	1,970,452
Impairment of assets	**2,711,085**	623,183
	6,808,365	2,593,635
Changes in non-cash operating items		
Increase in contributions receivable	**(2,906,314)**	-
Increase in HST receivable	**277,339**	(1,007,855)
Decrease (increase) in deposits and prepaid expenses, rent receivable, and other assets	**(1,939,600)**	1,503,861
Increase (decrease) in accounts payable and accrued liabilities	**(18,600,425)**	26,833,374
Increase in other liabilities and settlements	**1,847,531**	592,431
Decrease in deferred contributions and grants	**(19,813,292)**	(22,155,425)
	(34,326,397)	8,360,021
Investing activities		
Acquisition of capital assets	**(240,474)**	(928,840)
Decrease (increase) in short-term investments	**9,213,315**	(59,393,870)
Increase in restricted cash	**(2,527,002)**	(38,756)
	6,445,839	(60,361,466)
Financing activities		
Government contributions for non-amortized capital assets	**(2,003)**	23,894
Net outflow of cash	**(27,882,560)**	(51,977,551)
Cash, beginning of period	**33,067,712**	85,045,263
Cash, end of period	**5,185,152**	33,067,712

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

1. Description of Corporation

The Toronto Waterfront Revitalization Corporation (the "Corporation" or "TWRC") was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder.

Pursuant to the Toronto Waterfront Revitalization Corporation Act, 2002 (the "Act"), the Corporation was continued as a corporation without share capital on May 15, 2003. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objects are to:

(a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;

(b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;

(c) promote and encourage involvement of the private sector in the development of the designated waterfront area;

(d) encourage public input into the development of the designated waterfront area; and

(e) engage in such other activities as may be prescribed by regulation.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations contained in Part V of the Canadian Institute of Chartered Accountants (CICA) handbook.

(b) Revenue recognition

The Corporation follows the deferral method of accounting for restricted contributions. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions.

Contributions used for the purchase of amortized capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions for the purchase of non-amortized capital assets such as land, are recognized as a direct contribution to net assets.

Under the Contribution Agreements, contributions from the Governments can only be applied towards payments of eligible costs in respect of project activities, as defined in the Contribution Agreements.

Unrestricted contributions such as other operating items are recognized as revenue in the current period.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

2. Significant accounting policies (continued)

(c) Financial instruments

The Corporation's financial assets and financial liabilities are classified and measured as follows:

Asset/liability	Category	Measurement
Cash and shot-term investments	Held for trading	Fair value
Contributions receivable	Loans and receivables	Amortized cost
Rent receivable	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Other liabilities and settlements	Other financial liabilities	Amortized cost

Short term investments are comprised of guaranteed investment certificates.

Held for trading items are measured at fair value, with changes in their fair value recognized in the Statement of Financial Activities and Net Assets in the current period. Loans and receivables are measured at amortized cost, using the effective interest method, net of any impairment. Other financial liabilities are measured at amortized cost, using the effective interest method.

The carrying value of cash, short-term investments, contributions receivable, rent receivable, accounts payable and accrued liabilities and other liabilities approximate their fair values due to the relatively short term to their maturity.

Other accounts noted on the Statement of Financial Position, such as HST receivable, prepaid expenses and deposits, capital assets, other assets, deferred contributions and grants, and accrued benefit liability are not financial instruments.

The Corporation follows the disclosure requirements of Section 3861 "Financial Instruments – Disclosure and Presentation" of the CICA Handbook.

(d) Recognition of expenditures incurred by Eligible Recipients

The Corporation has entered into agreements with Eligible Recipients responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the financial statements of the Corporation on an accrual basis based upon actual funding requests and estimated funding requests submitted by the Eligible Recipients in accordance with approved project work plans. Under the terms of the agreements, the Corporation does not assume ownership or ongoing operational responsibility upon project completion.

(e) Capital assets

Capital assets are recorded at cost less accumulated amortization. With the exception of land which is not amortized, capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Computer hardware and software	3 years
Office equipment	5 years

Construction in progress, which is not amortized, comprises capital assets under construction, assets not yet placed in service and pre-construction activities related to specific projects expected to be constructed. Betterments, which extend the estimated life of an asset, are capitalized. Repairs and maintenance costs are charged to expense.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

2. Significant accounting policies (continued)

(f) *Taxes*

The Corporation is exempt from income taxes pursuant to paragraph 149(1) (d.3) of the Income Tax Act (Canada) and is eligible to claim a rebate of approximately 86.5% for HST paid on property and services acquired pursuant to section 123(1)(b) of the Excise Tax Act.

(g) *Allocation of general support expenses*

The Corporation incurs a number of general support expenses that are common to the administration of the organization and each of its projects. General support expenses are incurred to support the functional areas of construction/implementation, planning, design and approvals, and project management. The expenses are allocated using a burden rate based on general support expenses as a proportion of direct labour costs.

(h) *Executive pension plan*

The Corporation accrues its obligations under the executive pension plan (the "Plan")and the related costs, net of plan assets. The Corporation has adopted the following policies:

- The cost of pension benefits earned is actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of expected plan performance, salary escalation and retirement age of the executive.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets for the year or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the remaining service life.

(i) *Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The items subject to the most significant estimates are contributions recoverable, the amortization of capital assets, accrued liabilities, deferred revenue and accrued benefit liability.

3. Accounting changes

In December 2010, the CICA issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, government Not-for-Profit Organizations must adopt Public Sector Accounting (PSA) Standards as their new underlying accounting framework and will have to choose between (a) the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook; or (b) the CICA PSA Handbook without the Not-for-Profit accounting standards. The Corporation plans to apply the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook for its fiscal year beginning on April 1, 2012. The impact of transitioning to these new standards has been determined as not significant.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

4. Contributions recoverable

	2012	2011
	$	$
Government of Canada	2,225,000	-
City of Toronto	681,314	-
	2,906,314	-

Contributions recoverable pertain to district energy.

5. Deposits, prepaid expenses, rent receivable andother assets

	2012	2011
	$	$
Construction deposits	6,456,997	7,840,065
Prepaid expenses	401,176	145,700
Developer receivables, rent and other	3,585,720	559,035
Advance to the Toronto and Region Conservation Authority (the "TRCA") and current portion of environmental liability insurance and rent receivables (Note 8)	1,595,655	1,595,655
	12,039,548	10,140,455

The Corporation has provided the City of Toronto (the "City") and Toronto Hydro with certain construction deposits to guarantee satisfactory performance, completion of work and related obligations required for the construction of municipal and hydro infrastructure by the Corporation. The construction deposits will be released to Waterfront Toronto at the expiration of certain performance and guarantee periods. The construction deposits paid to the Cityof $2,181,199 are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of $4,275,273 (March 31, 2011 - $5,658,866) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

6. Restricted cash

The Corporation has $7,297,158 (March 31, 2011- $4,770,156) in cash which is subject to restrictions that prevent its use for current purposes. Of this cash balance $4,728,290 forms part of a security fund set up with the City for a TWRC development initiative. Under the terms of the agreement, TWRC cannot withdraw funds from the security fund without the authorization of the City and the City can only draw on the security fund subject to certain conditions and providing sufficient and appropriate notice to TWRC. The remaining balance of $2,568,868 pertains to funds in escrow required to satisfy Waterfront Toronto's future obligations to a third party developer.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

7. Capital assets

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	**92,588,484**	-	**92,588,484**	103,066,228
Leasehold improvements	**611,747**	**570,401**	**41,346**	97,953
Furniture and fixtures	**642,324**	**603,578**	**38,746**	76,659
Computer hardware and software	**2,306,521**	**1,603,441**	**703,080**	868,164
Office equipment	**268,372**	**197,635**	**70,737**	92,703
District Energy	**6,971,690**	**6,513,071**	**458,619**	4,270,128
	103,389,138	**9,488,126**	**93,901,012**	108,471,835

The Corporation owns land containing environmental contamination. As the Corporation does not have any legal obligation to remediate the lands, no environmental remediation liability has been recognized in these financial statements. The costs associated with the Corporation's environmental remediation, which depends on the ultimate use of the lands, will be recognized in the period when an obligation arises.

The Corporation owns buildings on a number of its properties. As none of the buildings are intended for use other than on a temporary rental basis and all will ultimately be demolished, they have been recorded at a carrying value of $Nil (March 31, 2011 - $Nil).

During the year ended March 31, 2012, the Corporation transferred land having total cost of $5,126,905 to the Province of Ontario at a nominal value of $1 and land having a total cost of $5,348,836 to the City of Toronto at a nominal value of $1. In accordance with the requirements of Section 4430 "Capital assets held by not-for-profit organizations" of the CICA Handbook, the cost of land transferred has been recorded as a reduction of capital assets and included as a distribution of net assets for the year ended March 31, 2012 in the Statement of Financial Activities and Net Assets. The land transferred to the Province of Ontario was part of the area identified as the site of Athletes' Village for the 2015 Pan American Games, which will be developed by the Province of Ontario in accordance with its West Don Lands Precinct Plan. The land transferred to the City of Toronto is part of Sherbourne Common in East Bayfront.

The balance of accumulated amortization at March 31, 2012 includes an impairment write-down for district energy of $2,711,085 (March 31, 2011 - $Nil).The net book value of district energy assets at March 31, 2012 represents the estimated net realizable value upon disposal.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

8. Other assets

	2012	2011
	$	$
Advance to the TRCA	**1,500,000**	1,500,000
Environmental impairment liability insurance	**179,801**	230,562
Rent receivable	**152,891**	152,891
Prepaid expenses	**91,268**	-
Total other assets	**1,923,960**	1,883,453
Less: current portion (Note 5)	**1,595,655**	1,595,655
	328,305	287,798

The advance given to the TRCA was repaid April 30, 2012.

9. Accounts payable and accrued liabilities

	2012	2011
	$	$
Accounts payable	**4,189,813**	4,296,779
Accrued liabilities	**22,518,893**	44,736,856
Holdbacks payable	**8,823,936**	5,099,432
	35,532,642	54,133,067

10. Other liabilities and settlements

Other liabilities and settlements at March 31, 2012 total $4,457,779 (March 31, 2011 - $2,610,248) and represent future obligations related to business relocation as well as government funding received in advance.

	2012	2011
	$	$
Tenant leasehold improvement allowance	**-**	4,021
Accrued benefit liability (Note 14)	**34,096**	65,356
Business relocation future obligations	**1,543,133**	1,543,133
District Energy operating receipts	**-**	997,738
Government funding received in advance	**2,880,550**	-
Total other liabilities	**4,457,779**	2,610,248
Less: current portion	**2,880,550**	1,547,154
	1,577,229	1,063,094

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

11. Deferred contributions and grants

Deferred contributions and grants represent project specific contributions from Governments and third parties which have not been applied to eligible costs at March 31, 2012, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	2012	2011
	$	$
Expenses of future periods		
Balance, beginning of period	**53,044,129**	73,530,965
Additional contributions received/receivable	**134,359,189**	121,213,189
Less: amounts recognized as revenue	**(150,079,402)**	(141,700,025)
Balance, end of period	**37,323,916**	53,044,129
Capital contributions		
Balance, beginning of period	**5,405,607**	7,074,196
Contributions for acquisition of capital assets	**240,474**	948,940
Add (less): direct contribution to net assets	**2,003**	(23,894)
Less: amount amortized to revenue	**(4,335,556)**	(2,593,635)
Balance, end of period (Note 12b)	**1,312,528**	5,405,607
	38,636,444	58,449,736

12. Net assets

a) Net assets recorded on the Statement of Financial Position are comprised of the following:

	2012	2011
	$	$
Invested in capital assets (Note 12b)	**92,588,484**	103,066,228
Unrestricted surplus	**2,472,809**	-
	95,061,293	103,066,228

b) Invested in capital assets represents the following:

	2012	2011
	$	$
Capital assets	**93,901,012**	108,471,835
Less:		
Amount financed by deferred capital contributions (Note 11)	**(1,312,528)**	(5,405,607)
	92,588,484	103,066,228

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

13. Expenses by Precinct and Function

	West Don Lands	Waterfront-wide Initiatives	East Bayfront	Central Waterfront	Port Lands	Sub-total before Other Operating Expenses and Discontinued Operations	Other Operating Expenses (Note 17)	Discontinued Operations - District Energy (Note 18)	Total 2012
	$	$	$	$	$	$	$	$	$
Direct project expenses:									
Construction/ implementation	43,814,601	25,066,546	22,034,441	19,808,754	3,229,182	113,953,524	-	6,225,321	**120,178,845**
Planning, design and approvals	4,049,088	3,923,191	3,722,298	5,053,187	515,882	17,263,646	-	2,925	**17,266,571**
Project management- third party	-	2,808,113	-	33,124	-	2,841,237	-	-	**2,841,237**
Project management - salaries and benefits	1,905,821	263,363	1,116,080	789,679	463,433	4,538,376	7,318	-	**4,545,694**
Amortization	-	-	-	-	-	-	-	1,100,424	**1,100,424**
Land holding expenses			-			-	2,906,983		**2,906,983**
	49,769,510	32,061,213	26,872,819	25,684,744	4,208,497	138,596,783	2,914,301	7,328,670	**148,839,754**
General and support expenses:									
Salaries, fees and benefits	1,994,131	275,567	1,167,794	826,271	484,907	4,748,670	-	-	**4,748,670**
General and office administration	590,053	81,539	345,545	244,489	143,481	1,405,107	-	-	**1,405,107**
Communications, marketing and government relations	233,149	32,218	136,536	96,605	56,694	555,202	-	-	**555,202**
Information technology	94,366	13,040	55,263	39,101	22,947	224,717	-	-	**224,717**
Amortization	220,065	30,411	128,874	91,184	53,513	524,047	-	-	**524,047**
	3,131,764	432,775	1,834,012	1,297,650	761,542	7,457,743	-	-	**7,457,743**
Total Expenses	**52,901,274**	**32,493,988**	**28,706,831**	**26,982,394**	**4,970,039**	**146,054,526**	**2,914,301**	**7,328,670**	**156,297,497**

General and support expenses for 2012 have been allocated to precincts using an overhead burden rate of 1.64 (1.61 in 2011) for every $1 of direct labour (project management - salaries and benefits).Total salaries, fees and benefits for the Corporation were $9,294,366 in 2012 ($9,974,091 - 2011) comprising direct project management salaries, fees and benefits of $4,545,694 ($4,918,832 -2011) and general support salaries, fees and benefits of $4,748,672 ($5,055,259 - 2011).

Waterfront-wide initiatives include Union Station Second Platform, Mimico Park and Port Union Waterfront Park. Port Lands also includes Tommy Thompson Park and Lower Don Lands.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

13. Expenses by Precinct and Function (continued)

	West Don Lands	Waterfront-wide Iniatives	East Bayfront	Central Waterfront	Port Lands	Land holding expenses	Sub-total before discontinued operations	Discontinued Operations - District Energy (Note 18)	Total 2011
Direct project expenses:									
Construction/ implementation	28,011,320	8,206,623	52,720,733	4,446,022	669,663		94,054,361	7,078,029	101,132,390
Planning, design and approvals	996,586	8,235,622	6,503,375	4,273,327	1,857,005	-	21,865,915	363,863	22,229,778
Project management - third party	2,078,915	2,867,093	956,847	297,986	1,158,933		7,359,774	-	7,359,774
Project management - salaries and benefits	1,450,951	1,413,651	1,064,123	572,053	296,878	43,131	4,840,787	78,045	4,918,832
Amortization	-	-	-	-	-		-	1,430,269	1,430,269
Land holding expenses	-	-	-	-	-	2,665,715	2,665,715		2,665,715
	32,537,772	20,722,989	61,245,078	9,589,388	3,982,479	2,708,846	130,786,552	8,950,206	139,736,758
General and support expenses:									
Salaries, fees and benefits	1,515,236	1,476,283	1,111,268	597,398	310,031	45,042	5,055,258	-	5,055,258
General and office administration	440,280	428,962	322,900	173,585	90,085	13,088	1,468,900	-	1,468,900
Communications, marketing and government relations	161,540	157,387	118,473	63,689	33,053	4,802	538,944	-	538,944
Information technology	62,945	61,327	46,164	24,817	12,879	1,871	210,003	-	210,003
Amortization	161,911	157,749	118,745	63,835	33,129	4,813	540,182	-	540,182
	2,341,912	2,281,708	1,717,550	923,324	479,177	69,616	7,813,287	-	7,813,287
Total Expenses	34,879,684	23,004,697	62,962,628	10,512,712	4,461,656	2,778,462	138,599,839	8,950,206	147,550,045

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

14. Executive pension plan

The Corporation maintains a registered executive defined benefit pension plan. The most recent actuarial update of the Plan was March 31, 2012. A reconciliation of the funded status of the Plan to the amount recorded in the financial statements is as follows:

	2012	2011
	$	$
Accrued benefit obligation	**1,537,228**	1,399,000
Fair value of plan assets	**1,550,590**	1,396,029
Funded status - plan surplus (deficit)	**13,362**	(2,971)
Unamortized net actuarial loss	**(47,457)**	(62,385)
Accrued benefit liability	**(34,095)**	(65,356)

The current service cost expense of the plan is $36,384 (March 31, 2011 - $31,695).

15. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2017 in the amount of $ 2,668,999. Annual payments are as follows:

2013	$ 774,771
2014	763,746
2015	662,668
2016	374,251
2017	93,563
	$ 2,668,999

In addition, the Corporation has other commitments of $137,444,000. These commitments comprise contracts directly entered into by the Corporation, and/or Delivery Agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront.

16. Capital management

In managing capital, the Corporation focuses on liquid resources available for operations and project implementation. The need for sufficient resources is considered in the preparation of an annual long term expenditure plan ("LTEP") and in the monitoring of cash flows and actual expenditures compared to the LTEP. In addition, the Corporation has established a target of having six months of project implementation and operating costs held in available liquid assets. As at March 31, 2012, the Corporation has met its objective of having sufficient liquid resources to meet its current obligations.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

17. Net other operating income

	2012	2011
	$	$
Rental income	**2,993,320**	-
Less land holding expenses	**2,914,301**	-
	79,019	-
Interest and other income	**1,362,028**	-
Net other operating income	**1,441,047**	-

Effective April 1, 2011, the Corporation began presenting other operating items such as rental income, land holding expenses, interest income and other miscellaneous revenue separately as part of net operating income in the Statement of Financial Activities and Net Assets. Previously these items were presented as part of revenue and expenses. Further, the total net operating income is now recognized as unrestricted surplus within net assets. Previously this was recognized as deferred contributions on the Statement of Financial Position.

18. Discontinued operations

As a result of an agreement entered into on March 31, 2011, the Corporation transferred its current responsibilities and future obligations with respect to the provision of district energy services in East Bayfront to a third party district energy provider on March 9, 2012. Certain interim district energy operations were required as part of an energy services agreement between TWRC and Toronto Economic Development Corporation, which was assigned to the third party district energy provider as part of the transaction. The table below outlines the Corporation's revenues and expenditures related to this discontinued business operation.

	2012	2011
Revenue	**$**	$
Government contributions:		
Government of Canada	**4,602,213**	5,834,536
Province of Ontario	**558,200**	3,115,670
City of Toronto	-	-
	5,160,413	8,950,206
Interim plant operating revenues	**1,591,921**	-
	6,752,334	8,950,206
Expenses		
Impairment of assets / capital expenditures	**3,878,225**	4,034,656
Amortization	**1,100,424**	1,430,269
Transfer payment to third party provider	**1,052,800**	2,000,000
Interim plant operating expenditures	**1,297,221**	1,485,281
	7,328,670	8,950,206
Net loss from discontinued operations	**(576,336)**	-

Interim plant operating revenues of $1,591,921 represents income received from June 15, 2009 to March 8, 2012 which was previously presented as deferred revenue (Other liabilities and settlements) on the Statement of Financial Position.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

19. Contingent liabilities

(a) Under the terms and conditions of the Contribution Agreements, the Corporation provides an indemnity to the City, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against all claims, losses, damages, costs, expenses, actions and other proceedings related to any injury to or death of a person or damage to or loss of property, infringement of rights or any other loss or damages whatsoever arising directly or indirectly from any willful or negligent act, omission or delay on the part of the Corporation, the Corporation's directors, officers, employees, contractors, agents or Third Party Contractors, in carrying out a project or as a result of the project, except to the extent that the injury, loss or damage has been caused by the City, Province of Ontario and/or Government of Canada or their respective officers, employees or agents.

The Corporation requires all Eligible Recipients to indemnify the Corporation from and against liability on the same basis outlined above.

The Corporation requires most third party contractors to indemnify each level of government and the Corporation, its officers, employees and agents against all claims, liabilities and demands with respect to any injury to persons (including death), damage to, loss or destruction of property or infringement of rights caused by or arising directly from:

(i) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents; or
(ii) any omission or any willful or negligent act of the third party contractor or its officers, employees or agents in relation to the applicable project.

(b) Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:

(i) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or
(ii) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

Management attempts to limit the Corporation's exposure under these indemnifications through the purchase of directors and officers insurance, the allocation of risk to Eligible Recipients and contractors (outlined above) and through enforcing the Corporation's and Eligible Recipients' policies and procedures, as well as intense oversight where appropriate.

(c) The Corporation has entered into a number of Development Agreements with third party builders with respect to lands located in the West Don Lands and East Bayfront. Under these agreements, the Corporation has provided the builders certain milestone representations based on specific Corporation development obligations. The representations primarily relate to schedule delays. The maximum potential future liability related to these representations is $7.5 million under one development agreement with one builder and although under the other development agreements the amounts are not determinable, they are limited to the amount up to the respective builder's carrying costs and/or out of pocket expenses incurred on the development. No amount for these representations has been accrued in these financial statements. Management attempts to limit the Corporation's potential exposure under these guarantees through appropriate schedule, cost and scope management practices.

(d) The Corporation has a contingent liability related to a municipal access agreement with the City of Toronto for the ongoing maintenance and potential removal of district energy pipes in West Don Lands. Management estimates the maximum potential liability to be $1,600,000. These costs are currently unfunded.

Toronto Waterfront Revitalization Corporation
Notes to the financial statements
March 31, 2012

20. Comparatives

Certain comparative amounts have been reclassified to conform with the current period's presentation.

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